



**BellSouth Telecommunications, Inc.**  
333 Commerce Street, Suite 2101  
Nashville, TN 37201-3300

guy.hicks@bellsouth.com

**Guy M. Hicks**  
General Counsel

615 214 6301  
Fax 615 214 7406

VIA HAND DELIVERY

David Waddell, Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37238

REC'D  
REGULATORY AUTH.  
JAN 30 2002  
OFFICE OF THE  
EXECUTIVE SECRETARY

Re: *Complaint of XO Tennessee, Inc. Against BellSouth Telecommunications, Inc.*

*Complaint of Access Integrated Networks, Inc. Against BellSouth Telecommunications, Inc.*

Docket No. 01-00868

Dear Mr. Waddell:

Enclosed are the original and thirteen copies of the pre-filed rebuttal testimony of the following BellSouth witnesses:

Scott Davis  
Ena Shaw  
Thomas Lohman

Donald Livingston  
Aniruddha Banerjee

Unfortunately, Mr. Banerjee is suffering with a medical problem that may prevent him from being able to travel from Cambridge, Massachusetts to Nashville for Monday's hearing. Please see attached letter. We can discuss this with the Hearing Officer during Friday's Pre-Hearing Conference. In the meantime, I will contact counsel of record to see if we can reach an agreement among the parties as to how to address this matter.

Copies of the enclosed are being provided to counsel of record.

Very truly yours,

Guy M. Hicks

GMH:ch

**ACTON MEDICAL ASSOCIATES, P.C.**  
321 MAIN STREET  
ACTON, MASSACHUSETTS 01720-3799  
TELEPHONE (978) 263-1131

January 30, 2002

Re: **Aniruddha Banerjee**  
DOB 8/22/55  
AMA #259506/3

To Whom It May Concern:

The above patient was seen in our office on January 25, 2002 for low back pain/muscle strain. He was advised heat, rest and no prolonged sitting. Because of this injury it was recommended that he not travel at this time.

Sincerely,



Scott F. Paparello, DO

SFP:kf

231 AYER ROAD, HARVARD, MA 01451  
592 KING STREET, LITTLETON, MA 01460

**CERTIFICATE OF SERVICE**

I hereby certify that on January 30, 2002, a copy of the foregoing document was served on the parties of record, via the method indicated:

☒ Hand  
☐ Mail  
☐ Facsimile  
☐ Overnight

Henry Walker, Esquire  
Boult, Cummings, et al.  
P. O. Box 198062  
Nashville, TN 37219-8062

☒ Hand  
☐ Mail  
☐ Facsimile  
☐ Overnight

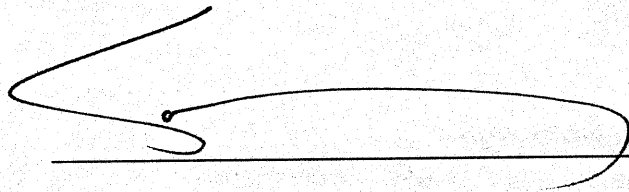
Chris Allen, Esquire  
Office of Tennessee Attorney General  
P. O. Box 20207  
Nashville, Tennessee 37202

☒ Hand  
☐ Mail  
☐ Facsimile  
☒ Overnight

Nanette S. Edwards, Esquire  
ITC^DeltaCom  
4092 South Memorial Parkway  
Huntsville, AL 35802

☒ Hand  
☐ Mail  
☐ Facsimile  
☒ Overnight

Bob Bye, Esquire  
Cinergy Communications Company  
8829 Bond Street  
Overland Park, KS 66214



1                   BELLSOUTH TELECOMMUNICATIONS, INC.  
2                   REBUTTAL TESTIMONY OF DON L. LIVINGSTON  
3                   BEFORE THE TENNESSEE REGULATORY AUTHORITY  
4                   DOCKET NO. 01-00868  
5                   JANUARY 30, 2002

6  
7    Q.    PLEASE STATE YOUR NAME, YOUR POSITION WITH BELLSOUTH  
8           AND YOUR BUSINESS ADDRESS.

9  
10   A.    My name is Don L. Livingston. I am employed by BellSouth Affiliate  
11           Services Corporation, as a Senior Director, with responsibilities for  
12           Voice Products Strategy and Development. Prior to this  
13           assignment, I was employed by BellSouth Telecommunications, Inc.  
14           ("BST") as a Senior Director in Small Business Services. My  
15           business address is 1057 Lenox Park Blvd. NE, Atlanta, Georgia,  
16           30319.

17  
18   Q.    ARE YOU THE SAME DON LIVINGSTON THAT FILED DIRECT  
19           TESTIMONY IN THIS PROCEEDING ON JANUARY 25, 2002?

20  
21   A.    Yes.

22  
23   Q.    WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

24  
25   A.    The purpose of my rebuttal testimony is to respond to portions of  
26           the direct testimony of Mr. Joseph Gillan filed on behalf of Access



1 Integrated Networks, Inc. ("AIN") and ITC^DeltaCom, Inc. and  
2 portions of the direct testimony of Mr. Rodney Page filed on behalf  
3 of AIN.  
4

5 Q. PLEASE RESPOND TO MR. GILLAN'S CONTENTION THAT  
6 CUSTOMERS ENROLLED IN BELLSOUTH SELECT RECEIVED A  
7 "PREFERENTIAL SERVICE ESCALATION PROCESS" (GILLAN  
8 DIRECT AT P.3, LINE 18 THROUGH P. 4, LINE 2) AND TO MR.  
9 PAGE'S CONTENTION THAT "BELLSOUTH SELECT OFFERED  
10 CERTAIN CUSTOMERS BETTER SERVICE THAN OTHERS." (PAGE  
11 DIRECT AT P.5, LINES 21 THROUGH 22).  
12

13 A. These contentions are wrong. As I explained in my pre-filed direct  
14 testimony, the service managers who assist customers that are  
15 enrolled in the Select Business Program perform the same functions  
16 as the service managers who assist customers that are not enrolled  
17 in the Select Business Program.  
18

19 Q. DOES THIS CONCLUDE YOUR TESTIMONY?  
20

21 A. Yes.  
22  
23

AFFIDAVIT

STATE OF: Georgia  
COUNTY OF: Fulton

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Don Livingston – Senior Director, Voice Product Strategy and Development, BellSouth Affiliate Services Corporation, who, being by me first duly sworn deposed and said that:

He is appearing as a witness before the Tennessee Regulatory Authority in Docket No. 01-00868 on behalf of BellSouth Telecommunications, Inc., and if present before the Authority and duly sworn, his testimony would be set forth in the annexed testimony consisting of 2 pages and 0 exhibit(s).

Don Livingston

Don Livingston

Sworn to and subscribed  
before me on January 30<sup>th</sup> 2002

Yvonne A. Wright  
NOTARY PUBLIC

Notary Public, Cobb County, Georgia  
My Commission Expires June 19, 2005

1                   BELLSOUTH TELECOMMUNICATIONS, INC.  
2                   REBUTTAL TESTIMONY OF T. F. LOHMAN  
3                   BEFORE THE TENNESSEE REGULATORY AUTHORITY  
4                   DOCKET NO. 01-00868  
5                   JANUARY 30, 2002  
6

7    Q.    PLEASE STATE YOUR NAME, YOUR BUSINESS ADDRESS AND  
8           YOUR POSITION WITH BELLSOUTH.  
9

10   A.   My name is Thomas F. Lohman and my business address is 675  
11           West Peachtree Street, N. E., Atlanta, GA. My title is Senior  
12           Director in the Finance Department of BellSouth  
13           Telecommunications, Inc. (hereinafter referred to as "BST").  
14

15   Q.    ARE YOU THE SAME THOMAS F. LOHMAN THAT FILED  
16           DIRECT TESTIMONY IN THIS PROCEEDING ON JANUARY 25,  
17           2002?  
18

19   A.    Yes.  
20

21   Q.    WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?  
22

23   A.    My testimony will rebut the direct testimony of Mr. Mark  
24           Crocker filed on behalf of the Consumer Advocate and Protection  
25           Division of the Office of the Attorney General for the State of

1 Tennessee. Specifically, I will address Mr. Crocker's testimony  
2 concerning the accounting treatment by BellSouth Select, Inc.  
3 ("BSSI") and BST relating to the BellSouth Select Business  
4 Program by showing both the mistakes in his testimony and his  
5 misunderstanding of the required accounting.

6  
7 Q. PLEASE DESCRIBE THE GENERAL BUSINESS PURPOSE OF BSSI  
8 AND THE RELATED ACCOUNTING PROCESSES BETWEEN BSSI  
9 AND BST.

10  
11 A. BSSI is a subsidiary of BellSouth Corporation that was formed to  
12 be a centralized service company for other BellSouth affiliates  
13 ("the participating companies"). BSSI does not provide any  
14 services to companies that are not affiliated with BellSouth  
15 Corporation. Although each participating company could  
16 perform the functions that BSSI performs, it is obviously more  
17 cost efficient to do this on a centralized basis utilizing a core  
18 group that specializes in these functions.

19  
20 As a service company, BSSI bills the participating companies  
21 only its costs -- it does not bill them a profit element. Because  
22 BSSI does not bill the participating companies a profit element  
23 and because it bills all of its costs to the participating  
24 companies, BSSI is not intended to have any income on its  
25 books. The ultimate accounting for the costs of the points

1 earned by the customers of the participating companies (and the  
2 associated administrative costs incurred by BSSI) is reflected on  
3 the books of the participating companies. As the service  
4 company that deals with the customers directly concerning the  
5 Business Select program, BSSI retains on its books the "liability  
6 to customers" for the value of the points as well as the  
7 associated cash the participating companies pay to BSSI to fund  
8 this liability. When the customer redeems points, BSSI debits  
9 "liability to customers" and ultimately credits "cash."  
10

11 Q. PLEASE DESCRIBE THE ACCOUNTING TRANSACTIONS THAT  
12 OCCUR IN RELATION TO THE POINTS EARNED BY BST'S  
13 CUSTOMERS.  
14

15 A. There are three basic processes that require accounting  
16 transactions. These are: 1) the customer earns points; 2) BSSI  
17 bills BST for these points and BST pays BSSI for these points;  
18 and 3) the redemption of the points by the customer and the  
19 associated payment by BSSI for whatever product or benefit the  
20 customer chooses to "purchase" with the redemption. This  
21 would include the redemption of the points for a payment credit  
22 against the customer's bill.<sup>1</sup>  
23

---

<sup>1</sup> As explained in the pre-filed direct testimony of Mr. Richard Tice, redemption of points as a credit against the customer's bill is no longer an available option.

1 Q. PLEASE DESCRIBE EACH OF THESE ACCOUNTING  
2 TRANSACTIONS IN MORE DETAIL.  
3

4 A. In order to simplify the explanations, I am going to describe the  
5 transactions as if both the BSSI and BST entries were completed  
6 in the same month. In reality there is one-month lag between  
7 the billing and the cash payment between the companies. In  
8 other words, what is billed by BSSI to BST in January will be  
9 paid by BST to BSSI in February.  
10

11 The first transaction is made to record the liability to the  
12 customer for points that the customer earns each month. BSSI  
13 records this transaction by debiting a "rewards programs  
14 expense" account and by crediting a "liability to the customer"  
15 account.  
16

17 The second transaction is made to record BSSI's billing to BST  
18 for the cost of the points the customer has earned and BST's  
19 payment to BSSI for these costs. BSSI records its billing to BST  
20 for these costs by debiting an "accounts receivable from BST"  
21 account and by crediting a "rewards program expense" account.  
22 BST records the bill from BSSI by debiting a "non-regulated  
23 revenue" account and by crediting an "accounts payable to  
24 BSSI" account. These entries remove the costs from BSSI's  
25 books and properly reflect them on BST's books. When BST

1 pays cash to BSSI the next month (to pay for the cost of the  
2 points BSSI billed to BST): (1) BSSI records this transaction by  
3 debiting "cash" and by crediting the "accounts receivable from  
4 BST" account; and (2) BST records this transaction by debiting  
5 an "accounts payable to BSSI" account and by crediting "cash."

6  
7 At this point in the accounting process, BSSI and BST have  
8 completed recording the costs of the customer's earning points  
9 and the associated liability to the customer. The net result to  
10 BSSI is a credit to a "liability to the customer" account and an  
11 equal increase to "cash" to pay for this liability. The net result  
12 to BST is a reduction to non-regulated revenue and an equal  
13 reduction to cash. The accounts receivable and accounts  
14 payable between the two companies have been relieved by the  
15 cash payment to BSSI and would be zero for the transaction (of  
16 course, due to the lag in billing and payment described above, at  
17 any point in time there will be approximately one month's  
18 balance in the receivable and payable accounts). Unless the  
19 customer redeems the points for credit against his or her bill,  
20 BST has completed all entries related to this account.

21  
22 The third transaction records the redemption of the points by the  
23 customer. In the past, the redemption could have been for cash,  
24 a credit to the customer's bill, or for partner benefits as  
25 described in Mr. Tice's testimony. If the customer redeemed

1 points for cash, BSSI would record the transaction by debiting a  
2 "liability to customer" account and by crediting "cash." This  
3 completes the recording of the transaction because no entry on  
4 BST's books is necessary or appropriate.

5  
6 If, instead of redeeming the points for cash, the customer  
7 redeemed the points for credit against his or her bill, BSSI would  
8 record the transaction by debiting a "liability to the customer"  
9 account and by crediting an "accounts payable to BST" account  
10 (remember, BST has already paid BSSI cash for the costs of the  
11 points, and if they are redeemed against the bill, BST must be  
12 reimbursed). BSSI then submits the request for redemption  
13 against the customer's bill. BST will record this transaction by  
14 crediting the "accounts receivable from customer" account for  
15 the value of the points (just as if the customer had made a  
16 payment) and by debiting the "accounts receivable from BSSI"  
17 account for the same amount. BST then bills BSSI for the value  
18 of the points redeemed. When BSSI pays this bill, BSSI debits  
19 the "accounts payable to BST" account and credits "cash."  
20 When BST receives this payment from BSSI, BST will debit  
21 "cash" and credit the "accounts receivable from BSSI" account,  
22 thus completing the transaction.

23  
24 The net entry on BSSI's books is a debit to a "liability to the  
25 customer" account and a credit to "cash", just as if the



1 customer had taken cash rather than a credit against the bill.  
2 The net entry to BST is a debit to "cash" and a credit to an  
3 "accounts receivable from customer" account, just as any cash  
4 payment from a customer would be recorded. The accounts  
5 payable and receivable between BSSI and BST have been  
6 reduced to zero (except for the one month lag described above).  
7

8 Q. DO YOU HAVE A SUMMARY OF THESE ACCOUNTING  
9 TRANSACTIONS SIMILAR TO MR. CROCKER'S?  
10

11 A. Yes, Exhibit TFL-1 provides a summary of the above accounting  
12 transactions and Exhibit TFL-2 provides "T-ACCOUNTS" of the  
13 entries.  
14

15 Q. DO YOU AGREE WITH MR. CROCKER'S CONTENTION THAT  
16 THE ACCOUNTING TREATMENT BY BSSI AND BST  
17 CONCERNING THE SELECT BUSINESS PROGRAM IS  
18 INCORRECT?  
19

20 A. No, absolutely not. Mr. Crocker has made several mistakes in  
21 his testimony concerning BSSI's and BST's accounting  
22 treatment, and he also appears to be advocating a treatment that  
23 is not in accordance with Generally Accepted Accounting  
24 Principles ("GAAP"). When Mr. Crocker's mistakes are

1 corrected, the apparent reasons for his belief that the accounting  
2 treatment is incorrect are no longer valid.  
3

4 Q. PLEASE DESCRIBE, IN GENERAL, THE MISTAKES MR.  
5 CROCKER MADE IN HIS DESCRIPTION OF THE ACCOUNTING  
6 FOR THE POINTS ASSOCIATED WITH THE BUSINESS SELECT  
7 PROGRAM.  
8

9 A. Mr. Crocker has mixed transactions that relate to the customer's  
10 earning of points with transactions that relate to BST's payment  
11 to BSSI for the costs of these points. These mistakes are easily  
12 seen by comparing Mr. Crocker's Attachment C ("MHC: C") that  
13 purports to show the journal entries made by BSSI and BST to  
14 his Attachment B ("MHC: B") that is an Accounting Flow  
15 description provided by BST in response to discovery requests.  
16 In addition, Mr. Crocker apparently misunderstands the full flow  
17 of the transactions and therefore has made incorrect  
18 assumptions concerning accounts receivable and accounts  
19 payable that are reflected in his testimony.  
20

21 Q. PLEASE DESCRIBE THE MISTAKES CONTAINED IN MR.  
22 CROCKER'S DESCRIPTION OF THE ACCOUNTING  
23 TRANSACTIONS AS SHOWN IN HIS ATTACHMENT C.  
24

1 A. Describing the mistakes is most easily accomplished by  
2 reviewing each of the entries on MHC: C and comparing them to  
3 MHC: B. I have created Exhibits TLF-3 and TLF-4 which simply  
4 take MHC: B and MHC: C (respectively) and number each of the  
5 transactions that appear on those exhibits. Thus, when I refer to  
6 transaction numbers on MHC: B and MHC: C, I am referring to  
7 the numbers set forth on my Exhibits TLF-3 and TLF-4.  
8

9 Q. PLEASE DESCRIBE EACH ENTRY ON MHC: C PREPARED BY  
10 MR. CROCKER AND EXPLAIN WHY IT IS CORRECT OR  
11 INCORRECT.  
12

13 A. ENTRY ONE: CORRECT

14 This entry is described correctly and relates to entry No. 2 on  
15 MHC: B. This BSSI transaction records the earning of points by  
16 a customer. Although the points are earned each month, they  
17 may not be issued monthly, but for the purposes of this entry,  
18 the distinction between earned and issued is not meaningful.  
19 BSSI debits "reward program expense" and credits a "liability to  
20 the customer" account.  
21

22

23

24

ENTRY TWO: INCORRECT

1 Mr. Crocker describes entry No. 2 as BSSI billing the  
2 participating companies to fund the liability. This is incorrect.  
3 Entry No.2 is actually the BSSI entry that corresponds to entry  
4 No. 4 on MHC: B, which occurs when a customer redeems the  
5 points on his or her bill.  
6

7 ENTRY THREE: CORRECT

8 This entry is described correctly and corresponds to entry No. 2  
9 on MHC: B. As I described earlier, the entry actually washes  
10 through accounts receivable and accounts payable over a two-  
11 month period. The first month BSSI bills BST and debits an  
12 "accounts receivable from BST" account and credits a "rewards  
13 program expense" account. The second month, when BST pays  
14 the bill, BSSI debits "cash" and credits the "accounts receivable  
15 from BST" account. The net affect is shown as entry No. 3.  
16 Mr. Crocker's misunderstanding of this "wash" through payables  
17 and receivables due to the one-month billing/payment lag  
18 between the companies may account for his incorrect  
19 assumption that the payables and receivables are never relieved.  
20

21 ENTRY FOUR: CORRECT AS QUALIFIED

22 BST generates revenue by providing both regulated and non-  
23 regulated services. As I stated in my direct testimony, BST  
24 charges the customer the full tariff rate for the regulated service  
25 and the full rate for the non-regulated service. BST records this

1 transaction as a debit to an "accounts receivable from customer"  
2 account and a credit to a "regulated revenue" account and a  
3 "non-regulated revenue" account.  
4

5 **ENTRIES FIVE AND SIX: CORRECT AS QUALIFIED**

6 Entry No. 5 is correct for transactions where the customer  
7 redeems points against his or her bill, and this entry corresponds  
8 to entry No. 5 on MHC: B. Entry No. 5 is not correct for any  
9 other redemption option chosen by the customer. Any other  
10 redemption option would only be reflected on BSSI's books, not  
11 BST's.  
12

13 Entry No. 6 is simply the normal customer payment of a bill.  
14

15 **ENTRY SEVEN: INCORRECT**

16 Mr. Crocker describes this entry as "when BST actually pays  
17 BSSI" under the heading of "when the customer requests  
18 redemption of points". Mr. Crocker seems to think that BST  
19 pays BSSI at this point. This is incorrect. As I described above,  
20 BST pays for the costs of the points at the time the customer  
21 earns the points. Therefore, this entry is actually made when  
22 BST records the cost it incurs when a customer earns points.  
23 This corresponds to entry three on MHC: B.  
24

1 Q. ON PAGE 4 LINES 1-5, MR. CROCKER STATES THAT THERE IS  
2 NO INDICATION THAT THE ACCOUNTS PAYABLE TO BST IS  
3 EVER DEBITED AND ON LINES 15-17, HE STATES THAT  
4 ACCOUNTS RECEIVABLE - BELL SOUTH LOYALTY PROGRAM IS  
5 NEVER CREDITED. IS HE CORRECT?

6  
7 A. No, he is not correct. The accounting flow shown on MHC: B  
8 (and subsequently on MHC: C) does not reflect every entry made  
9 by BST or by BSSI. The Accounts Receivable and Accounts  
10 Payable are basically one-month "wash" accounts used due to  
11 the lag in billing and payments between BSSI and the  
12 participating companies that are not fully documented on MHC:  
13 B. I have provided a complete description of these transactions  
14 and the associated accounting earlier in this rebuttal testimony.  
15 The receivables and payables between BSSI and BST do not  
16 continue to increase as described by Mr. Crocker, but will  
17 normally reflect one month's billing between BSSI and the  
18 participating companies.

19  
20 Q. PLEASE RESPOND TO MR. CROCKER'S CONTENTION AT PAGE  
21 4 LINE 5 THAT THE ACCOUNTING IS INCORRECT BECAUSE  
22 BSSI DOES NOT SHOW ANY REVENUE ASSOCIATED WITH  
23 THE POINTS.

24

1 A. Mr. Crocker is wrong. As I described earlier, BSSI is a service  
2 company that provides a centralized function that the  
3 participating companies could provide themselves. BSSI does  
4 not bill any profit component to the participating companies and,  
5 from the standpoint of the participating companies, BSSI has  
6 earned no revenue from processing the customer loyalty points.

7  
8 Q. ON PAGE 4 LINES 13-14, MR. CROCKER INDICATES THAT  
9 BST'S DEBITING OF NONREGULATED REVENUE IS NOT AN  
10 APPROPRIATE ENTRY. IS HE CORRECT?

11  
12 A. No. Mr. Crocker seems to believe the cost of loyalty points  
13 should be a debit to an expense account rather than a debit to a  
14 revenue account. He does not state this exactly, but I am basing  
15 my interpretation of his testimony on his statements on lines 17-  
16 18 where he says "[a]lso, instead of debiting an expense  
17 account in the last entry when BST actually pays BSSI, the  
18 Nonregulated Revenue account is reduced. Therefore, the  
19 Nonregulated Revenue account is being understated." Again, in  
20 his summary on page 6 lines 21-22, he states that "[t]he amount  
21 of nonregulated income reported by BST and BAPCO is  
22 understated." GAAP, however, requires that the cost of points  
23 associated with loyalty programs be journalized as a reduction of  
24 revenues, not as an expense.

25

1 Q. ON PAGE 6 LINES 1-6, MR CROCKER STATES THAT BSSI IS A  
2 SHELL CORPORATION THAT, IN HIS OPINION, WAS CREATED  
3 IN ORDER TO CIRCUMVENT SECTION 65-4-122 OF THE  
4 TENNESSEE CODE ANNOTATED. DO YOU AGREE WITH HIS  
5 STATEMENT?  
6

7 A. I absolutely do not agree with Mr. Crocker. As I described  
8 earlier, BSSI is a service company created to provide a  
9 centralized and specialized group to support the participating  
10 companies in customer loyalty programs. Because it is providing  
11 services to both BST and to other, non-regulated BellSouth  
12 affiliates, BSSI was created as a subsidiary of BellSouth  
13 Corporation. There is nothing sinister or incorrect in BellSouth  
14 Corporation creating a centralized group to provide services to  
15 both regulated and non-regulated affiliates. This is the most cost  
16 effective way to provide such a specialized service to the  
17 BellSouth Corporate family.  
18

19 Q IN SEVERAL PLACES IN HIS TESTIMONY, MR. CROCKER  
20 INDICATES THAT THERE IS A PROBLEM WITH BSSI NOT  
21 RECORDING ANY REVENUES OTHER THAN FOR  
22 REIMBURSEMENTS OF EXPENSES. IS THIS A PROBLEM OR AN  
23 INDICATION THAT BSSI IS A SHELL CORPORATION?  
24



1    A.    No. BSSI is functioning just as it was intended, as a centralized  
2           staff. As a service company, BSSI was never intended to  
3           provide services outside the BellSouth Corporate family and,  
4           therefore, was not intended to have income. Because BSSI  
5           does not have any source of income, it is reimbursed for its  
6           costs by the affiliates that participate in the loyalty programs.

7

8    Q.    DOES THIS COMPLETE YOUR REBUTTAL TESTIMONY?

9

10   A.    Yes.

**Docket 01-00868**  
**January 30, 2002**  
**Exhibit TFL -1**

**POINTS EARNED ACCOUNTING ENTRIES**

**BellSouth Select, Inc. (BSSI) Books**

**BellSouth Telecommunications (BST) Books**

**(1) Points Earned by a Customer:**

Debit Reward Program Expense  
Credit Liability to Customer

**(2) BSSI Bills BST for BST's portion of Liability:**

Debit Accounts Receivable from BST  
Credit Reward Program Expense

Debit Non-Regulated Revenue  
Credit Accounts Payable to BSSI

**(3) BST Payment to BSSI to Fund Liability:**

Debit Cash  
Credit Accounts Receivable from BST

Debit Accounts Payable to BSSI  
Credit Cash

**CUSTOMER REDEEMS POINTS ACCOUNTING ENTRIES**

**BellSouth Select Inc. (BSSI) Books**

**BellSouth Telecommunications (BST)**

**(4) Customer Redeems Points:**

Debit Liability to Customer  
Credit Accounts Payable to BST

Debit Accounts Receivable from BSSI  
Credit Accounts Receivable from Customer

**(5) BSSI Pays BST for Amount Credited on Customer Account:**

Debit Accounts Payable to BST  
Credit Cash

Debit Cash  
Credit Accounts Receivable from BSSI

Docket 01-00868  
January 30, 2002  
Exhibit TFL -2

### Example of Accounting Entries for Loyalty Program

#### BellSouth Select, Inc. (BSSI)

Reward Program Expense	
(1) \$1,000	(2) \$1,000
\$0	

Liability to Customer	
(4) \$1,000	(1) \$1,000
	\$0

Accounts Payable to BST	
(5) \$1,000	(4) \$1,000
	\$0

Accounts Receivable from BST	
(2) \$1,000	(3) \$1,000
\$0	

Cash	
(3) \$1,000	(5) \$1,000
\$0	

#### BellSouth Telecommunications (BST)

Non-Regulated Revenue	
(2) \$1,000	Beg. Bal. \$6,000
	\$5,000

Accounts Receivable from Customer	
Beg. Bal. \$6,000	(4) \$1,000
\$5,000	

Accounts Payable to BSSI	
(3) \$1,000	(2) \$1,000
	\$0

Accounts Receivable from BSSI	
(4) \$1,000	(5) \$1,000
\$0	

Cash	
(5) \$1,000	(3) \$1,000
\$0	

Assumptions: \$1,000 of points are earned/issued and redeemed for credit on BST's customer account.  
Beginning balances in BST non-regulated revenue and accounts receivable from customer represent non-regulated revenue previously billed to customer.

Entry 1: Points are earned by a customer.

Entry 2: BSSI bills BST for BST's portion of the liability.

Entry 3: BST Payment to BSSI to fund its portion of the liability.

Entry 4: Customer redeems points.

Entry 5: BSSI pays BST for amount of points credited to customer account.

Docket 01-00868  
January 30, 2002  
Exhibit TFL -3

## **BELLSOUTH CORPORATE LOYALTY PROGRAM: ACCOUNTING FLOW 12-20-99**

Customers participating in this program earn "points" for purchases associated with their total BellSouth relationship, e.g., 1FB, vertical services, BellSouth dotNet, BellSouth Mobility, Yellow Pages advertising. These points can then be redeemed for credits toward BellSouth products and services, with the credit being given on their BellSouth bill.

When points are redeemed by the customer, a credit is applied to the customer's total amount billed, not to a particular service.

BellSouth Corporation agreed to fund the administration of this program. A BellSouth Corp. affiliate was created: BellSouth Select. BellSouth Select maintains records of points earned by customers and initiates application and accounting for the credits to the customers.

When points are issued to a customer BellSouth Select (BSS) makes the following entry on their books:

- (1) Dr reward pgm expense  
    Cr liability to customer

BSS then bills various BST Business Units to fund the liability. When BST pays BSS, an entry is made as follows on BSS books:

- (2) Dr "Cash"  
    Cr reward pgm expense

On BST books, the Business Units will make the following entry to record the payment to BellSouth Select:

- (3) Dr: 5280.9920 - as of 11-19-99 Revenue Ruling  
    Cr "Cash"

When the customer requests redemption of the points, BSS notifies BST billing to credit the customer's account, and makes the following entry on BSS books:

- (4) Dr liability to customer  
    Cr Payable to BST

On BST's books, the credit to the customer's account creates the following entry:

- (5) Dr 1190.1100, account code MCB-accts receivable BellSouth Corp Loyalty pgm  
    Cr 1180.2111 account code 600 - receivable from customer

Since the Cost Based Billing group (CBB) (Mary Peacock) has responsibility for balancing 1190.1100, and BSS maintains the records for originating entries to these accounts, it would appear that BSS should provide CBB with subsidiary records necessary to reconcile the detailed transactions to the General Ledger

NOTE: BSS currently recognizes expense for all points earned by customers. There were no redemptions until August, 1999. There is no historical data to determine the % of points that will be redeemed. If a reasonable projection could be made of the % that would be redeemed, BSS could reduce the expense recognized to that % amount.

\_\_\_\_\_

\_\_\_\_\_



Docket 01-00868  
January 30, 2002  
Exhibit TFL -4

**Attachment C**  
**BellSouth Corporate Loyalty Program**  
**Journal Entries**

On the books of BellSouth Select:

The process begins when points are issued to a customer. The following entry is made:

- (1) Reward Program Expense (Debit)  
    Liability to Customer (Credit)

BSS then bills various BellSouth entities to fund the liability (for example, BellSouth Telephone "BST"). This generates the next entry:

- (2) Liability to Customer (Debit)  
    Account Payable to BST (Credit)

When BST actually pays BSS, the last entry is made:

- (3) Cash (Debit)  
    Reward Program Expense (Credit)

The first entry on the books of BST must be to record the revenue generated by providing service to the customer:

- (4) Account Receivable - Customer (Debit)  
    Regulated Revenue (Credit)

When the customer requests redemption of points, the next entry is made:

- (5) Account Receivable - BellSouth Corporate Loyalty Program (Debit)  
    Account Receivable - Customer (Credit)

This entry reduces the amount that the customer owes to BST. If the points did not pay the account in full, then the customer would be obliged to pay the remaining amount, and the entry made when BST receives money from the customer would be:

- (6) Cash (Debit)  
    Account Receivable - Customer (Credit)

When BST actually pays BSS, the final entry is made:

- (7) Non-regulated Revenue (Debit)  
    Cash (Credit)

AFFIDAVIT

STATE OF: Georgia  
COUNTY OF: Fulton

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Thomas F. Lohman – Senior Director, Finance Department, BellSouth Telecommunications Inc., who, being by me first duly sworn deposed and said that:

He is appearing as a witness before the Tennessee Regulatory Authority in Docket No. 01-00868 on behalf of BellSouth Telecommunications, Inc., and if present before the Authority and duly sworn, his testimony would be set forth in the annexed testimony consisting of 15 pages and 4 exhibit(s).

Thomas F. Lohman

Thomas F. Lohman

Sworn to and subscribed  
before me on January 30<sup>th</sup>, 2002

Chick D. Wright  
NOTARY PUBLIC

Notary Public, Cobb County, Georgia  
My Commission Expires June 19, 2005

1 BELL SOUTH TELECOMMUNICATIONS, INC.  
2 REBUTTAL TESTIMONY OF SCOTT S. DAVIS  
3 BEFORE THE TENNESSEE REGULATORY AUTHORITY  
4 DOCKET NO. 01-00868  
5 JANUARY 30, 2002  
6

7 Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH BELL SOUTH AND  
8 YOUR BUSINESS ADDRESS.  
9

10 A. My name is Scott S. Davis. I am employed by BellSouth  
11 Telecommunications, Inc. ("BST") as a Manager in Small Business Services  
12 ("SBS"). My business address is 333 Commerce Street, Nashville,  
13 Tennessee, 37201.  
14

15 Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR EDUCATIONAL  
16 BACKGROUND AND YOUR EXPERIENCE IN THE TELECOMMUNICATIONS  
17 INDUSTRY.  
18

19 A. After I graduated from Auburn University in 1986 with a Bachelor of  
20 Business Administration Degree, I worked for three years with MCI  
21 Communications in Atlanta. In 1990, I went to work for BellSouth Mobility  
22 where I held various sales and management positions. In 1999, I accepted  
23 my current position with BST - SBS in Nashville.  
24

25 Q. WHAT ARE YOUR RESPONSIBILITIES WITH SBS?

1  
2 A. As a Competitive Assessment Manager, my responsibilities include analyzing  
3 competitive trends in the industry and helping to formulate strategy for BST  
4 in a competitive environment.  
5

6 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?  
7

8 A. The purpose of my testimony is to respond to portions of the direct  
9 testimony filed by Mr. Rodney Page on behalf of Access Integrated  
10 Networks, Inc. ("AIN").  
11

12 Q. PLEASE ADDRESS MR. PAGE'S STATEMENT THAT "THE BOARD OF MY  
13 COMPANY BEGAN TO QUESTION THE VALIDITY OF OUR BUSINESS PLAN  
14 IN LIGHT OF WHAT AMOUNTED TO A FORTY PERCENT ANNUAL  
15 DISCOUNT BEING OFFERED BY OUR LARGEST COMPETITOR." (PAGE  
16 DIRECT, P. 5, LINES 4-6).  
17

18 A. I cannot comment on any questions the Board of Mr. Page's company may  
19 have raised, but I do know that other companies often offer services to  
20 customers at substantial savings compared to BellSouth's rates for the same  
21 or similar services. Composite Exhibit SSD-1 to my testimony includes just a  
22 few of the offers that competitors have made to customers in Tennessee.  
23 This Exhibit includes offers from:  
24

- The Electric Power Board of Chattanooga that touts savings of 36% as compared to what the customer pays with BellSouth;
- KMC Telecom that touts savings of 29% to 43% (depending on the term commitment chosen by the customer) as compared to what the customer pays with BellSouth;
- NewSouth Communications that touts savings of 31.1% to 84.3% (depending on the term commitment chosen by the customer) as compared to what the customer pays with BellSouth;
- XO that touts savings of 39% to 44% (depending on the term commitment chosen by the customer) as compared to what the customer pays with BellSouth; and
- Birch Telecom that touts savings of 44% to one customer and 71% to another customer as compared to what the customer pays with BellSouth.

Q. DO BELLSOUTH'S COMPETITORS OFFER WHAT COULD BE CHARACTERIZED AS REWARDS PROGRAMS TO THEIR CUSTOMERS?

A. Yes. ITC^DeltaCom's website, for instance, informs its customers that "your membership in an organization that endorses ITC^DeltaCom's products and services entitles you to an exclusive discount from ITC^DeltaCom." See Exhibit SSD-2.

XO's website states that "eligible" customers who refer a "business colleague" to XO will receive a "free 10-minute pre-paid XO calling card."

1 The website also states that "[f]or each one of your referrals that becomes  
2 an XO customer, we'll give you a \$125 referral reward" that can be used  
3 for, among other things, "a credit toward your XO account." See Exhibit  
4 SSD-3.

5  
6  
7 MCI offers customers who join the "MCI/SkyMiles program" for residential  
8 long distance the following rewards: "5,000 Bonus Miles," "\$50 of Free  
9 Prepaid Calling Card," "5 Miles for Every Dollar You Spend," and "MCI 7¢  
10 Anytime." See Exhibit SSD-4.

11  
12 AT&T offers the "AT&T Rewards program" by which residential customers  
13 can earn rewards based on their average monthly spending, which includes  
14 "AT&T Long Distance, local toll and AT&T local charges, AT&T calling Card,  
15 '00' Info and Easy Reach 800 billed to your home telephone account."  
16 Among the reward options are free minutes of "domestic direct-dialed long  
17 distance and local toll residential calls," gift certificates with "retail partners"  
18 such as Foot Locker, Gap, The Home Depot, Macy's, and Old Navy, and  
19 Continental Airline OnePass miles. See Exhibit SSD-5.

20  
21 Q. ON PAGE 3 OF HIS DIRECT TESTIMONY, MR. PAGE REFERENCES  
22 BELL SOUTH'S AUGUST 22, 2001 RESPONSE TO A LETTER FROM THE  
23 TENNESSEE REGULATORY AUTHORITY ("TRA") STAFF DATED AUGUST 3,  
24 2001. WERE YOU INVOLVED IN THE PROCESS OF PREPARING THE  
25 RESPONSE TO THIS LETTER?

1  
2 A. Yes. I was given a copy of the letter, which is attached as Exhibit SSD-6 to  
3 my testimony, and I was asked to assist in gathering information that was  
4 responsive to that letter.  
5  
6  
7

8 Q. WHAT WAS YOUR UNDERSTANDING OF WHAT WAS BEING REQUESTED  
9 BY THAT LETTER?  
10

11 A. The letter references complaints filed by CLECs in other states regarding  
12 BellSouth's "Winback" activities. These complaints focused primarily on  
13 BellSouth's "Full Circle" and "Welcome Back - Winback" promotions that  
14 were available only to eligible former BellSouth business customers who  
15 were currently receiving services from another telecommunications carrier,  
16 and I thought the letter was asking if BellSouth had any offerings for  
17 regulated services in Tennessee that were only available to former BellSouth  
18 customers that are now receiving services from a competitor.  
19

20 Q. DID YOU BELIEVE THAT THE OFFERING DESCRIBED IN THE COMPLAINTS  
21 FILED BY AIN AND XO TENNESSEE, INC. ("XO"), WHICH HAS BEEN  
22 CHARACTERIZED AS INVOLVING MONTHS OF "FREE SERVICE," WAS  
23 RESPONSIVE TO THAT LETTER?  
24



1 A. No. The tariffed 2001 Key Business Discount Tariff, the Select program,  
2 and the offering described in the Complaints (which involved both of these  
3 programs) were each available to all business customers. In fact, four of the  
4 63 customers that accepted the offer described in the Complaints were  
5 BellSouth customers when they accepted the offer.

6  
7 Q. DID YOU MENTION THE OFFERING DESCRIBED IN THE COMPLAINTS FILED  
8 BY XO AND AIN TO THE PERSONS WHO WERE PREPARING BST'S  
9 RESPONSE TO THE LETTER?

10  
11 A. I remember mentioning the 2001 Key Business Discount Program Tariff and  
12 the Select program. I do not, however, remember explaining the manner in  
13 which these programs were being used in the offering described in the  
14 Complaints, nor do I remember mentioning any offering involving "free  
15 service."

16  
17 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

18  
19 A. Yes.

Docket 01-00868  
January 30, 2002  
Exhibit SSD - 1

7w Contract  
13th mo Free  
Long Distance  
All Calls -  
10¢ per min -  
1st party app.



Local Services Analysis

Telecommunications

Monthly Savings:	\$	195.72
Annual Savings:	\$	2,348.64
% Savings:		36%

Quantity	Product	Current Bell Expenditures	EPBT Product	EPBT Expenditures
7	Business Lines	\$ 273.35	Business Lines	\$ 315.00
1	RingMaster	\$ 4.00	RingMaster	\$ 4.00 9/11 included
7	Fed Universal Ser Charge	\$ 2.80	N/A	No Charge
7	FCC Network Access Chg	\$ 54.88	N/A	No Charge
7	FCC Portability Charge	\$ 2.45	N/A	No Charge
6	Three Way Calling w/Trans	\$ 25.50	Three Way Calling w/Trans	\$ 24.00
6	Hunting/Rollover	\$ 175.74	N/A	No Charge
Totals		\$ 538.72		\$343.00

Bell South Charges from Bill

All EPB Telecommunication charges include Touch-Tone, FCC and Hunting/Rollover

Applicable taxes would apply.

Estimate based on known Bell Tariffs

Different Bell plans carry different charges

No number changes

Good Old Fashioned Customer Service

No Contract

FREE MONTH OF LOCAL SERVICE ON 13TH MONTH INVOICE

Fed - Universal Ser. Chg 7@ .40 = 2.80  
FCC Local # portability Chg 7@ .25 = 1.75  
9/11 Service = 14.00  
FCC Network Access 7@ 7.84 = 54.88

(1) - Complete Charge: 1 line

A. Bus Line Touch-Tone +  
Calling plan 2 = 62.00

Calling plan 2

4. Federal & State Taxes = 57.65 We don't need this -> B. One way interstate with  
Distinction the varying Plan 2 = 406.00

(2) 3 Line PKG - Calling Plan 2

3 way Calling with Stamp, Hunting!

Roll-over Number

(3) Renewed 70r Calling Plan 2 (543.2)

Total

545.58

**KMC Telecom.**  
Application Services

Local /Long Distance Phone Pricing

**COST COMPARISON**

THE KMC TELECOM COMMUNICATIONS SOLUTION vs. YOUR CURRENT  
TELECOMMUNICATIONS PROVIDERS

DESCRIPTION	QUANTITY	CURRENT RATES	1 YEAR	2 YEAR	3 YEAR
Business Lines	20	\$830.27	\$750.00**	\$875.00**	\$600.00**
DID Numbers (Sets of 20)	??		\$3.00/set	\$3.00/set	\$3.00/set
ISDN	1	\$90.29	(\$73.24)	(\$89.30)	(\$66.30)
FCC Access Charges		\$140.23	\$0.00	\$0.00	\$0.00
Federal Universal Fund		\$7.02	\$0.00	\$0.00	\$0.00
Local Usage		\$103.32	\$0.00	\$0.00	\$0.00
Totals		\$1,171.13	<del>\$620.24</del> 753.00	<del>\$747.30</del> 675.00	<del>\$666.30</del> 603.00

DELETE

\* The above pricing assumes a single set of DID numbers and the ISDN line remains for Internet access. By choosing KMC Application Services, the ISDN line would be eliminated

Long Distance

6.9¢ INTRASTATE  
7.9¢ INTERSTATE

Savings  
Totals

	493	567	
Monthly	\$344.89	\$423.63	\$501.83
Annual	\$4,138.68	\$5,085.96	\$6,021.96
	29%	36%	43%

\*\*The above pricing is based on a equipment upgrade to a PRI. The PRI will give more flexibility to the voice application. KMC will offer an equipment upgrade credit of \$2,400.00 to aid in the cost of the upgrade\*\*



NEW SOUTH

~~#3733~~

April 8, 1999

[REDACTED]

Nashville, TN 37115

Re: Customer Service Agreement

[REDACTED]

NewSouth Communications Corp. ("NewSouth") is prepared to enter into a certain Customer Service Agreement with [REDACTED] to be dated as of the date of this letter agreement. [REDACTED] has expressed certain concerns about some provisions of the Customer Service Agreement. This letter agreement will serve to modify the Customer Service Agreement to the extent provided in this letter agreement. If there is a conflict between the provisions of the Customer Service Agreement and this letter agreement, the provisions of this letter will control.

The satisfaction guaranteed clause in the term and condition will remain in effect for the term of the contract and any subsequent renewals.

Regarding section four- (4) Term; Automatic Renew, this section will be omitted from the agreement between NewSouth and [REDACTED]

NewSouth Communications Corp.

By: DeWayne Drake  
DeWayne Drake  
Dealer Account Manager

Agreed to and accepted:

[REDACTED]



Local Service Summary

Current BellSouth Service				Proposed NewSouth Service			
ONE YEAR TERM		TWO YEAR TERM		THREE YEAR TERM		Total	
Type of Service	Qty	Rate	Total Charges	Qty	Rate	Total Charges	Rate
Station Link Flat Rate	4%	\$ 13.25	\$ 530.25				
Access Fee/Line Cap Rate	4%	\$ 5.70	\$ 256.50				
FTT Charge	4%	\$ 8.75	\$ 371.25				
Network Access Fee/Line	3%	\$ 12.25	\$ 1,881.00				
Sub Total			\$3,105.00				
Trunk & Country Trunk							
Station Link Flat Rate	5%	\$ 13.25	\$ 66.25				
Access Fee/Line Cap Rate	5%	\$ 5.70	\$ 28.50				
FTT Charge	5%	\$ 8.75	\$ 41.25				
Network Access Fee/Line	5%	\$ 12.25	\$ 261.25				
Sub Total			\$ 397.25				
Grand Total			\$3,502.25			\$ 2,868.13	\$ 2,574.90
Total Monthly Savings				\$ 403.88		\$ 834.12	\$ 927.35
Annual Savings				\$ 4,846.56		\$ 7,609.44	\$ 11,128.20
Total Savings Percentage				31.1%		89.3%	84.3%

NewSouth is proposing that you replace the existing BellSouth service at [redacted] with one full PRU T-1's (with 23 trunks), 19 channel PRU T-1, with and an additional 12 PRU channels to replace the existing service at [redacted].

The pricing below is all inclusive of FCC Charges, Hunting Charges, DID Numbers, and line Charges.

1 full PRU T-1's	\$ 1,207.50	\$ 1,247.50	\$ 1,100.00
1 19 channel PRU	\$ 1,100.00	\$ 1,000.00	\$ 925.00
1 12 channel PRU	\$ 700.87	\$ 620.63	\$ 545.90

4-9-99  
Date

Proprietary and Confidential  
Exclusive Property of NewSouth Communications, LLC

Page 3 of 3



**we are so... we can be credited as your monthly NewSouth bill over the first year of your commitment to help offset the purchase of three DTI cards. (\$750.00 toward each card)**

17750100114 NOTE! THIS IS NOT INCLUDED IN THE COMBUSTION TOTAL 46.011



## Customer Service Agreement

THIS CUSTOMER SERVICE AGREEMENT (this "Agreement") is made by and between:  
NewSouth Communications Corp., a Delaware corporation ("NewSouth"), having its principal place of business  
at 130 Industrial Drive, Greenville, South Carolina 29607; and  
Organization Name: \_\_\_\_\_ ("Customer")

Physical Address: \_\_\_\_\_  
City: Nashville State: TN Zip: 37115  
Phone: ( ) \_\_\_\_\_ Fax: ( ) \_\_\_\_\_ Email: \_\_\_\_\_  
Contact Name: \_\_\_\_\_ Title: Systems Mgr  
Billing Address (if different): \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ Phone: ( ) \_\_\_\_\_

Subject to the terms and conditions set forth herein (including the Additional Terms and Conditions set forth on the reverse side hereof), NewSouth agrees to provide, and Customer agrees to pay for, the services accepted on Customer's proposal.

Customer selects the following commitments according to the terms and conditions stated on the reverse.

Services To Be Provided:

Local (☒) Local and Long Distance (☐)

Minimum Term Commitment:

12 months ( )

24 months ( )

36 months (☒)

Minimum Monthly Usage Commitment (including local and/or long distance usage)

\$250 ( )

\$1,000 ( )

\$2,000 ( )

\$4,000 ( )

\$7,500 ( )

\$15,000 ( )

COMMITMENT LEVEL & TERM PRICING:

Customer will receive the product specific pricing as shown on NewSouth's tariffs for local and long distance services. This pricing is included in the services stated in the proposal.

Customer: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: Systems Mgr

Date: 4-9-99

NewSouth Communications Corp.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



## BellSouth Rates

## Description

Qty Price Ea. Total

BUSINESS LINE, Features  
FCC Local Number Portability Charge

6	\$39.78	
6	\$0.35	

## Hunting/Rollover

6	\$29.78	
---	---------	--

FCC Toll Access Charge  
E 911 Charge  
Touch-Tone  
Universal Service Charge

6	\$7.84	
6	\$1.80	
6	\$3.00	
6	\$0.39	

ISDN Business Line (BRD)  
ISDN Voice/Data B Channels  
ISDN User Profile

	\$55.00	
	\$16.25	
	\$2.44	

## FEATURES

User Transfer & Conferencing  
Call Forward Busy  
Call forward, variable  
Call forward, no answer  
Caller ID  
Voice Mail  
Usage  
Message Waiting

	\$5.00	
	\$4.25	
	\$5.00	
	\$4.25	
	\$9.95	
	\$12.95	
	\$0.05	
	\$1.00	

LONG DISTANCE - Domestic  
Long Distance - International  
Long Distance - Directory Asst  
Calling Card Calls  
800 Toll Free (Not Collect)  
Intra-Lata Calls (BellSouth)

	\$0.18	
	\$0.21	

## MONTHLY TOTAL

\$469.48

Proposal Prepared by:  
Mike McMillion

615-777-1399 Voice

615-777-3291 fax server

## XO Rates

## Description

Qty Price Ea. Term Agreement Total

BASIC ACCESS (Flat Rate)

6	\$31.00	*3 Year*	\$186.00
6	\$33.00	*2 Year*	\$198.00
6	\$35.00	*1 Year*	\$210.00

HUNTING/ROLLOVER

6	\$0.00		\$0.00
---	--------	--	--------

FCC Toll Access Charge  
E 911 Charge  
Touch-Tone  
Additional Listings

6	\$7.85		\$47.10
6	\$1.80		\$10.80
6	\$0.00		\$0.00
6	\$2.00		\$12.00

ISDN Business Line (BRD)  
(2 B channels + D)  
FCC Toll Access Charge

	\$80.00		
	\$5.00		

## FEATURES

## XO PLUS

User Transfer & Conf.  
Call forward, variable  
CFNA, CFB, CW, Call Block  
Caller ID  
Voice mail Enhanced  
Includes 3 sub-boxes, CFNA on all Hunt lines & CFB on last Hunt line

1	\$5.00		\$5.00
	\$9.00		
	\$10.00		

LONG DISTANCE - Inter-State  
Long Distance - International  
Long Distance - Directory Asst  
Calling Card  
800 Toll Free (Not Collect)  
Intra-Lata & Intra-State Calls (XO)

	\$0.065		
	\$0.650		
	\$0.200		
	\$0.065		
	\$0.072		

3 Year Term 2 Year Term 1 Year Term

\$260.90	\$272.90	\$284.90
44%	42%	39%
\$2,502.96	\$2,358.96	\$2,214.96

## NEXTLINK MONTHLY TOTAL

% Reduction in Charges

Total Annual Savings

Installation

\$180.00

12:12

0002/007

00:57am From: Birch Telecom ~ Nashville

615 373 8683

T-889 P.001/006 F-851



To: \_\_\_\_\_

Company \_\_\_\_\_

Fax Number \_\_\_\_\_

From: E. CECIL FULLER \_\_\_\_\_ Direct Line - 309-6279 Fax - 373-8683

Number of Pages: \_\_\_\_\_ (including cover sheet)

Date: 8-1-01

*The information in this fax is confidential. If you are not the intended recipient of this fax, please contact the sender.*

Comments: \_\_\_\_\_ As you can see, I can provide a 44% savings per month on your phone service with Birch Telecom. That is a substantial savings for your company to add to the bottom line.

You presently have Business Calling Plan 2, which typically provides \$.09 per minute on the intralata calls. According to your statement, you are being charged \$.14 to \$.15 per minute. Also, you are being charged for your local calls as well. With your service at Birch, our charge for intralata and interlata calls are \$.06 per minute, and we bill in 6-second intervals. Also, we do not charge for local calls--our line charge of \$33.00 per line covers all local calls.

Please keep in mind: NO conversion downtime, NO conversion costs, NO change in phone numbers, and NO contract to sign.

I will follow up with you. If you have any questions, please call me at 309-6279. Thank you for your time and attention.

12:12

003/007

09:57am From: Birch Telecom ~ Nashville

815 373 8683

T-000 P.002/005 F-051



E. CECIL FULLER, Account Executive ----309-6279 Fax --- 373-8683  
*Savings Are Just The Beginning When You Partner With Birch*

A cost comparison for: [REDACTED]

Provided to: [REDACTED] By: E. CECIL FULLER On: 8-1-01

**B. USouth Basic Local Service Charges (taken from BellSouth bill)**3 Single Lines @ \$ 63.125 monthly = \$505.006 Single Lines w/Hunt @ \$ — monthly = —

Optional Services = —

Local Usage = \$22.05

Total Paid to BellSouth before taxes and fees = \$527.05

**BIRCH TELECOM Local Service Charges**3 Single Lines @ \$33.00 monthly = \$264.006 Single Lines w/Hunt @ \$5.00 month = 30.00

— Features = —

— = —

— = —

Total to be billed by Birch before taxes and fees = \$294.00

Total Dollar SAVINGS(monthly) = \$233.05

Monthly \$ saved divided by BellSouth Total \$ Charged = 44 % saved

Total Dollar SAVINGS(annually) = \$2796.60

05/03/2001 10:35

PAGE 82

*Savings Are Just The Beginning When you Partner With Birch*

A Cost Comparison For: [REDACTED]

Provided To: [REDACTED]

By:

Sandy Spohn

## Bell South Local Service Charges

Regionserv Business line	X8	\$254.00	(Includes touch tone)
grouping/hunting @ \$20.63	X3	\$61.89	
Band A		\$690.60	
Band B & C		\$65.41	
Direct dialed calls (1st min)		.45	
Total Paid Before Taxes		\$1,062.35	

## Birch Telecom Local Service Charges

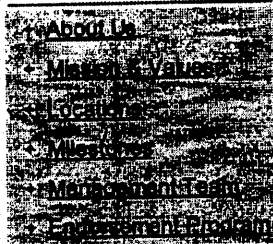
Single Lines @ \$33.00	X8	\$264.00	(Includes touch tone)
grouping/hunting @ \$5.00	X5	\$15.00	
Band A		no charge	
Band B & C		\$28.50 (8d min)	
Feature Package			
A La Carte Features			
Total Paid Before Taxes		\$307.40	
Total Dollar Savings		\$754.95	
% of Savings Over Bell		71.70	
Total Annual Savings		\$9,059.40	

Docket 01-00868  
January 30, 2002  
Exhibit SSD - 2



Integrated Telecom

Data Center

[About ITC DeltaCom](#)[Products & Services](#)[Maps](#)[News Room](#)[Investor Relations](#)[Contact Us](#)**About ITC DeltaCom**[Home](#) [About ITC DeltaCom](#)[Endorsement Program](#)**ENDORSEMENT**

## Association Endorsement Program

ITC DeltaCom appreciates your commitment to the professional organizations that enhance your industry. Whether you are a member of a trade or professional association, or a member of the Chamber of Commerce, ITC DeltaCom is here to offer support. Your membership in an organization that endorses ITC DeltaCom's products and services entitles you to an exclusive discount from ITC DeltaCom. Numerous associations and Chambers of Commerce throughout the southern United States endorse ITC DeltaCom. Contact our Director of Association Marketing at [marketing@itcdeltacom.com](mailto:marketing@itcdeltacom.com) or 1-800-239-3000 to learn more about how to participate in this exclusive program.



Why read  
version...

**e<sup>+</sup>deltacom**  
A DIVISION OF ITC DELTACOM

1-800-239-3000

[< Privacy Policy >](#) [< Legal Notices >](#)

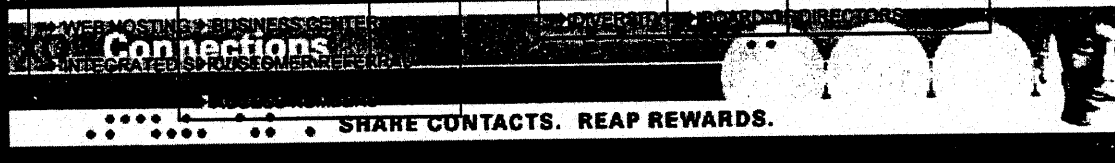
Docket 01-00868  
January 30, 2002  
Exhibit SSD - 3



▼ PRODUCTS	▼ CUSTOMER CARE	▼ INVESTORS	▼ CAREERS	▼ OUR STORY	▼ PARTNERS	▼ NEWS	▼ CO:
▶ PRODUCT OVERVIEW	▶ NEW OVERVIEW	▶ INVESTOR CENTER	▶ CAREERS OVERVIEW	▶ OUR STORY	▶ PARTNERS OVERVIEW	▶ PRESS RELEASES	▶ CONTACT
▶ VOICE	▶ CONTACT	▶ FINANCIALS	▶ SEARCH	▶ CONTACT US	▶ AGENT PROGRAM	▶ ARTICLES	▶ CONTACT
▶ INTERNET ACCESS	▶ DATA SUPPORT	▶ CONTACT	▶ APPLY	▶ XO NETWORK	▶ IMPACT PROGRAMS	▶ EVENTS	▶ GET

## Care / XO CONNECTIONS

- > [CONTACT](#)
- > [DATA SUPPORT](#)
- > [GATEWAY LOGIN](#)
- > [BUSINESS CENTER](#)
- > [ONLINE BILLING](#)
- > [CUSTOMER REFERRAL](#)
- > [3-MONTH GUARANTEE](#)



### Customer Referral Program: Make Your Connections Count

Give a colleague a solid tip and earn \$125 with the XO™ Connections customer referral program.

For each business colleague\* you refer to XO™, we'll send you a **free 10-minute pre-paid XO calling card**. \*\* For each one of your referrals that becomes an XO customer, we'll give you a **\$125 referral reward**. Use your \$125 reward as a credit toward your XO account, or donate the reward to **Schools Online**, a nonprofit organization dedicated to providing Internet access and educational resources to underserved schools around the world. Either way, you win with XO Connections.

\* This program applies to new business referrals only.

\*\* Available to eligible XO Customers only.

Enter your XO account

Your account is located on you

Cc

>>> [ASK A QUESTION ?](#)

[PRIVACY](#) [LEGAL INFO](#)

© Copyright 2000-02



Docket 01-00868  
January 30, 2002  
Exhibit SSD - 4

**5,000 BONUS MILES & \$50 PREPAID CALLING CARD**

OFFER EXPIRES

30 SEPT 01

SKYMILES NUMBER

VALIDATION CODE

**It's Easy to Activate Your  
Prepaid Calling Card**

1. CALL TOLL-FREE 1-800-213-6186 TO JOIN THE MCI/SKYMILES PROGRAM (mention code ZD55).
2. PROVIDE YOUR SKYMILES NUMBER AND VALIDATION CODE.
3. WRITE THE PIN ON THE BACK OF YOUR CARD.

Nashville, TN 37201-1800


**Delta**  
**SkyMiles**

Please detach the above card for instructions on  
how to start using your Prepaid Calling Card today!

# 5,000 Bonus Miles & \$50 Prepaid Calling Card

Dear [REDACTED]

Delta and MCI® are proud to bring you the best offer yet. When you join the MCI/SkyMiles program for residential long distance, you'll get more than ever before:

**5,000 BONUS MILES**

Just for joining MCI long distance (and local toll service where available) — that's 1,000 miles each month for your first 5 months as an MCI customer.\*

**\$50 OF FREE PREPAID CARD CALLING**

With your \$50 prepaid calling card,† you can call when and where you choose. Your card gives you the freedom to never worry about making the call.

**5 MILES FOR EVERY DOLLAR YOU SPEND**

(excluding taxes, surcharges and credits). From long distance to calling card calls — spend a dollar, earn 5 miles. Spend 50 dollars, earn 250 miles. The math is simple, the mileage is superb.

**MCI 7x ANYTIME™**

We've made it simple so you pay one low rate — that's 7¢ a minute, 7 days a week, 24 hours a day on all your state-to-state calls from home.\*\* And, our monthly fee of just \$3.95 is lower than most of our competitors.

Don't miss out on this fantastic offer — sign up now! Call **1-800-213-6186** and we'll help you select the calling plan that's right for you so you can start earning miles and using your \$50 prepaid calling card today.

Sincerely,

Robert Grady  
Partnership Marketing  
Delta

Sheila Norman  
Partnership Marketing  
MCI

P.S. Call **1-800-213-6186** by September 30, 2001 to get your 5,000 bonus miles and your \$50 prepaid calling card!

**Delta**  
**SkyMiles**
**MCI**  
301

**TO GET YOUR 5,000 BONUS MILES AND ACTIVATE YOUR  
FREE \$50 PREPAID CARD, JUST FOLLOW THESE 3 EASY STEPS.**

1. Call toll-free **1-800-213-6186** to join the MCI®/SkyMiles program for long distance service.
2. Provide your SkyMiles membership number and the validation code shown on the other side of the letter.
3. Write the PIN (provided by the MCI representative) on the back of the attached calling card.

**Then you can enjoy your \$50 prepaid calling card. It's that easy!**

\* Existing MCI customers are not eligible for this offer. Bonus is awarded as 1,000 miles after your first

..... THREE EASY STEPS.

1. Call toll-free **1-800-213-6186** to join the MCI®/SkyMiles program for long distance service.
2. Provide your SkyMiles membership number and the validation code shown on the other side of the letter.
3. Write the PIN (provided by the MCI representative) on the back of the attached calling card.

**Then you can enjoy your \$50 prepaid calling card. It's that easy!**

\* Existing MCI customers are not eligible for this offer. Bonus is awarded as 1,000 miles after your first 30 days with MCI and 1,000 miles per month for the next four months of service with MCI. Miles earned are subject to a US Federal Excise Tax surcharge. You must remain an MCI customer through time of fulfillment in order to receive full bonus. This program is in lieu of any other MCI bonus program/promotion. Limit one enrollment bonus per SkyMiles member. Limit one enrollment bonus per MCI account per year. All standard Delta SkyMiles program rules and conditions apply. Please allow 6-8 weeks for miles to be posted to your SkyMiles membership account. MCI reserves the right to end/amend its program with appropriate notice. Local toll may also be referred to as local long distance, regional toll or shorter distance calls.

<sup>1</sup> Prepaid Calling Card is good for 143 domestic minutes, based on 35¢ a minute. Miles will not be earned on free prepaid card.

<sup>\*\*</sup> Rates exclude Federal Universal Service Fee. In-state rates may be higher.

Docket 01-00868  
January 30, 2002  
Exhibit SSD - 5

# AT&T Rewards

December, 2001

[REDACTED]  
Atlanta, GA 30305-3710

Account number: [REDACTED]  
Web site PIN #: [REDACTED]

Dear [REDACTED]

We're delighted that you've decided to join the AT&T Rewards program. Now that you've selected the reward you want, there's nothing further you need to do—you'll automatically receive free AT&T domestic calling time\* every six months as long as you meet the spending requirements. It will be based on your average monthly spending on AT&T qualifying calls†, and will show up on your AT&T statement.

We're sure you'll enjoy the AT&T Rewards program. If you have any questions, please call the Rewards Service Center at 1 800 248-2363 or visit us on the Web at [www.att.com/rewards](http://www.att.com/rewards).

Thank you for your loyalty. We look forward to serving you for many years to come.

Cordially,

AT&T Loyalty Program Customer Service

\* Free AT&T minutes are domestic direct-dialed long distance and local toll minutes. You must be an AT&T Residential Long Distance customer to receive free minutes. Unused minutes will be carried over to the next billing cycle as long as you remain an AT&T customer. Please allow two to three billing cycles for your free minutes to be posted to your account.

† Qualifying AT&T usage includes domestic and international residential long distance, local, local toll, and calling card calls billed to your home phone.





## AT&T REWARDS TERMS AND CONDITIONS

(The terms "you" and "your" as used below refer to AT&T customers enrolled in the AT&T Rewards program.)

1. **Eligibility.** You can enroll and participate in the AT&T Rewards program ("Program") if you are and remain an AT&T Residential Long Distance subscriber in good standing. If you are enrolled in this Program, you can earn rewards based on your average monthly spending over each consecutive six-month period for your qualifying AT&T charges on your AT&T Residential bill. The first six-month period begins upon your enrollment into the Program. If you were a member of the AT&T Personal Rewards program who was automatically enrolled in this Program and as of June 30, 2000 you had a combined monthly bill for your AT&T Residential Long Distance together with your AT&T Wireless Services and/or AT&T WorldNet® Service, your AT&T Wireless Services and AT&T WorldNet Service will also be included in the average monthly spending calculation for each six-month period, as long as you remain an AT&T Residential Long Distance subscriber with a combined bill for these services. However, beginning with September 2001 bills, AT&T Wireless Services will no longer be part of the AT&T combined bill and will no longer be included in the average monthly spending calculation for this Program.

2. **Qualifying Charges.** Charges that qualify for calculation of your average monthly spending are state-to-state, in-state and international usage, monthly recurring charges, and service charges for qualifying AT&T services appearing on your AT&T main residential long distance bill after the deduction of all applicable credits and discounts (including free domestic minutes and international calling credits provided as rewards under this Program). Your average monthly spending is calculated by adding all of your qualifying AT&T charges for each consecutive six-month period and dividing by six. Your total monthly charges will be rounded up to the next whole dollar when the total eligible charges include a fractional dollar of \$0.50 or more, and will be rounded down to the next whole dollar when they include a fractional dollar of \$0.49 or less. The following charges are excluded from the calculation of your average monthly spending: taxes, surcharges, the Universal Connectivity Charge, the Carrier Line Charge, equipment and installation charges, charges relating to AT&T Digital Phone Service, and charges for AT&T Calling Card calls that are not billed to your AT&T residential account. Average monthly spending calculations in this Program may not be transferred to any other person or pooled with other customers for any reason.

3. **Rewards and Redemption.** In order to receive rewards, you must choose an automatic redemption option for your rewards at least 60 days before the end of the six-month period. You will not receive a reward for any six-month period for which you did not specify an automatic redemption option. Rewards provided under this Program will be subject to further terms, conditions and restrictions specified by AT&T and by the participating companies. Your AT&T services account must be in good standing to receive a reward. If your account is not in good standing for a period of 60 days or more, your enrollment in the Program will either be suspended or discontinued. If you move or if your long distance carrier has been changed from AT&T to another carrier without your consent and you would like to continue participating in the Program, you must notify AT&T within 60 days of the change in carriers or your move (including your change of address, new telephone number, and Program account number) and request to be re-enrolled in the Program. If you do not notify AT&T within this 60-day period, your enrollment will be discontinued. Your six-month period will be based on your initial enrollment in this Program and your average monthly spending will be calculated based on the months you were with AT&T within that six-month period. If your enrollment in the Program is discontinued for any reason before the end of a six-month period, you will not receive a reward for that period.

4. **Program Changes; Availability.** AT&T at its sole discretion may modify, add to, or delete any portion of the Program, at any time. AT&T reserves the right to terminate the Program at any time. If the Program is terminated, you will receive a reward based upon your qualifying average monthly usage, which may be for less than a six-month period, depending on the date of termination. This Program is subject to billing availability and cannot be combined with other AT&T rewards programs with respect to those AT&T services that qualify for earnings under this Program and certain promotional offers. This Program is subject to the terms and conditions in its specific AT&T Service Guide under the AT&T Consumer Services Agreement, available at [www.att.com/serviceguide/home](http://www.att.com/serviceguide/home) or by calling 1 888 288-4099. If there is any conflict between this summary and those terms and conditions, those terms and conditions will govern.

**AT&T REWARDS**

[Home](#) | [My Account](#) | [FAQs](#) | [Terms & Conditions](#) | [Contact Us](#)

**Frequently Asked Questions****FAQs**

Here are some of the most frequently asked questions about the AT&T Rewards program. For more information about the program, please see the [Terms & Conditions](#).

- [How is the reward amount I receive determined?](#)
- [When does my six months start?](#)
- [What usage is included in the average revenue calculation?](#)
- [Can I combine different phone bills?](#)
- [Can I use the free AT&T minutes for international calls?](#)
- [Who are the participating retail companies, and are you planning on expanding the list?](#)
- [I was in AT&T Personal Rewards program and earned points on AT&T Long Distance calls, AT&T WorldNet Service and my AT&T wireless calls. Will all my long distance, wireless usage and my AT&T WorldNet Service charges be included in the new program?](#)
- [Do I have to select a reward category now? What if I want to change?](#)
- [What if I don't choose anything?](#)
- [I'm moving and I don't want to lose the benefit I've accumulated. What do I do?](#)
- [How long will it take to receive my free minutes or retail certificate?](#)
- [Can I use the free International bill credit for Domestic calls?](#)
- [How long will it take to receive my Continental Airline® OnePass® miles?](#)

**How is the reward amount I receive determined?**

Your qualifying AT&T usage is averaged over a six-month period, and the amount you receive is determined per the following schedule:

AT&T Average Monthly Spending	Free AT&T Domestic Calling*	Free AT&T International Calling**	Gift Certificate	Continental Airlines® OnePass® Miles***
\$150+	6 hours	\$50	\$50	5,000
\$75 – \$149.99	3 hours	\$25	\$25	2,500
\$25 – \$74.99	1 hour	\$10	\$10	1,000

\*Qualifying usage

[| top |](#)

**When does my six months start?**

Your six-month period begins at the time of your enrollment in AT&T Rewards.

[| top |](#)



**What AT&T usage is included in the average revenue calculation?**

All AT&T Long Distance, local toll and AT&T local charges, AT&T calling Card, "00" Info and Easy Reach 800 billed to your home telephone account. Eligible charges do not include those charges related to AT&T digital phone service. Charges not included are taxes, surcharge, Universal Connectivity Charge, equipment and installation charges

| [top](#) |

**Can I combine different phone bills?**

No. However, multiple phone numbers billed under one main billed telephone number on the same invoice are included in the average monthly calculation.

| [top](#) |

**Can I use the free AT&T minutes for international calls?**

No. Free minutes apply to domestic direct-dialed long distance and local toll residential calls only. Any unused minutes carry over to the next billing cycle as long as you remain an AT&T residential long distance customer.

| [top](#) |

**Who are the participating retail companies, and are you planning on expanding the list?**

Current retailers include Foot Locker®, Lady Foot Locker®, Kids Foot Locker®, Gap, The Home Depot®, Macy's and Old Navy®. We are always looking at ways to improve our program and may add additional retailers in the future.

| [top](#) |

**I was in AT&T Personal Rewards program and earned points on AT&T Long Distance calls, AT&T WorldNet Service and my AT&T wireless calls. Will all my long distance, wireless usage and my AT&T WorldNet Service charges be included in the new program?**

If you were a member of the AT&T Personal Rewards program who was automatically enrolled in this program and as of June 30, 2000 you had a combined monthly bill for your AT&T residential long distance together with your AT&T Wireless Service and/or AT&T WorldNet Service, Your AT&T Wireless Services and AT&T WorldNet Service will also be included in the average monthly spending calculation for reach six month period, as long as you remain an AT&T residential long distance subscriber with combined bill for these services. However, beginning with September 2001 bills, AT&T Wireless Services will no longer be part of the AT&T combined bill and will no longer be included in the average monthly spending calculations for this Program.

| [top](#) |

**Do I have to select a reward category now? What if I want to change?**

It is in your best interest to select the category now, to be sure to receive a reward. If you don't select a reward at least 60 days before the end of your six-month period you will forfeit your reward for that period. You can change your selection as many times you would like.

| [top](#) |

**What if I don't choose anything?**

You must choose a category at least 60 days before the end of your six-month

period to receive your reward selection.

| [top](#) |

**I'm moving, I don't want to lose the benefit I've accumulated. What do I do?**

Just let us know within 60 days of disconnecting your old phone what your AT&T Rewards account number is, as well as your new AT&T phone number. Of course your new phone number must be subscribed to AT&T Residential Long Distance Service. You'll simply pick-up right where you left off. To re-establish your AT&T Rewards Account, please call AT&T at 1 800-248-2363 and one of our associates will assist you.

| [top](#) |

**How long will it take to receive my free minutes or retail certificate?**

Please allow up to eight weeks from the end of the six-month period in which you qualify.

| [top](#) |

**Can I use the free International bill credit for Domestic calls?**

No, free International bill credit apply to direct-dialed international calls only. Unused dollar amounts cannot be carried over to the next billing cycle.

| [top](#) |

**How long will it take to receive my Continental Airline® OnePass® miles?**

Miles will be posted to your OnePass account 30 days from receipt of your payout notification.

| [top](#) |

---

[Terms and Conditions](#). [Privacy Policy](#)  
Copyright © 2000 AT&T. All rights reserved.

# AT&T REWARDS

[Home](#) | [My Account](#) | [FAQs](#) | [Terms & Conditions](#) | [Contact Us](#)

## My Account

Hello, [REDACTED]

Welcome to your **My Account** page!

Here's where you can gain access to your AT&T Rewards account at any time. Everything is right at your fingertips. You can get your account status, update your account, or change your reward choice, just click on the headings. The choice is yours.

### View My Account Status

- Current Address
- Program Enrollment Date
- Current Reward Choice
- Anticipated Reward Amount and Date
- Last Reward and Payout Date
- AT&T Long Distance Bill Totals for Last 6 Months

### Update My Account

- Update Email Address
- Change Special Offer Updates

### Change My Reward

[Terms and Conditions](#) [Privacy Policy](#)  
Copyright © 2000 AT&T. All rights reserved.

## AT&T REWARDS

[Home](#) | [My Account](#) | [FAQs](#) | [Terms & Conditions](#) | [Contact Us](#)

### My Account Status

#### My Account Status

- Current Mailing Address:  
[REDACTED]  
ATLANTA, GA 30305
- Program Enrollment Date:  
December 04, 2001
- Current Reward Choice:  
AT&T
- Anticipated Reward Amount and Date:  
1 Free Hour with AT&T on June 04, 2002
- Last Reward and Date:
- Listed below are up to 6 months  
of totals for the next payout:

• January 06, 2002	\$65
• December 08, 2001	\$0

[RETURN TO PREVIOUS PAGE](#)

[Terms and Conditions](#) [Privacy Policy](#)  
Copyright © 2000 AT&T. All rights reserved.

## AT&T REWARDS

[Home](#) | [My Account](#) | [FAQs](#) | [Terms & Conditions](#) | [Contact Us](#)

### Terms & Conditions

#### Terms & Conditions

Summary of Terms and Conditions for the AT&T Rewards program (Rev. 7/01)

("you" and "your" as used below refer to AT&T customers enrolled in the AT&T Rewards program)

1. **Eligibility.** You can enroll and participate in the AT&T Rewards program ("Program") if you are and remain an AT&T residential long distance subscriber in good standing. If you are enrolled in this Program, you can earn rewards based on your average monthly spending over each consecutive six month period for your qualifying AT&T charges on your AT&T residential long distance bill. The first six month period begins upon your enrollment into the Program. If you were a member of the AT&T Personal Rewards program who was automatically enrolled in this Program and as of June 30, 2000 you had a combined monthly bill for your AT&T residential long distance together with your AT&T Wireless Services and/or AT&T WorldNet Service, your AT&T Wireless Services and AT&T WorldNet Service will also be included in the average monthly spending calculation for each six month period, as long as you remain an AT&T residential long distance subscriber with a combined bill for these services. However, beginning with September 2001 bills, AT&T Wireless Services will no longer be part of the AT&T combined bill and will no longer be included in the average monthly spending calculations for this Program.

2. **Qualifying Charges.** Charges that qualify for calculation of your average monthly spending are state to state, in-state and international usage, monthly recurring charges, and service charges for qualifying AT&T services appearing on your AT&T main residential long distance bill after the deduction of all applicable credits and discounts (including free domestic minutes and international calling credits provided as rewards under this Program). Your average monthly spending is calculated by adding all of your qualifying AT&T charges for each consecutive six month period and dividing by six. Your total monthly charges will be rounded up to the next whole dollar when the total eligible charges include a fractional dollar of \$.50 or more, and will be rounded down to the next whole dollar when they include a fractional dollar of \$.49 or less. The following charges are excluded from the calculation of your average monthly spending: taxes, surcharges, the Universal Connectivity Charge, the Carrier Line Charge, and equipment and installation charges, charges relating to AT&T digital phone service, and charges for AT&T Calling Card calls that are not billed to your AT&T residential account. Average monthly spending calculations in this Program may not be transferred to any other person or pooled with other customers for any reason.

3. **Rewards and Redemption.** In order to receive rewards, you must choose an automatic redemption option for your rewards at least sixty days before the end of the six month period. You will not receive a reward for any six month period for which you did not specify an automatic redemption option. Rewards provided under

this Program will be subject to further terms, conditions and restrictions specified by AT&T and by the participating companies. Your AT&T services account must be in good standing to receive a reward. If your account is not in good standing for a period of 60 days or more, your enrollment in the Program will either be suspended or discontinued. If you move or if your long distance carrier has been changed from AT&T to another carrier without your consent, and you would like to continue participating in the Program, you must notify AT&T within sixty days of the change in carriers or your move (including your change of address, new telephone number, and your Program account number) and request to be re-enrolled in the Program. If you do not notify AT&T within this 60 day period, your enrollment will be discontinued. Your six month period will be based on your initial enrollment in this Program and your average monthly spending will be calculated based on the months you were with AT&T within that six month period. If your enrollment in the Program is discontinued for any reason before the end of a six month period, you will not receive a reward for that period.

4. Program Changes; Availability. AT&T at its sole discretion may modify, add to, or delete any portion of the Program at any time. AT&T reserves the right to terminate the Program at any time. If the Program is terminated, you will receive a reward based upon your qualifying average monthly usage, which may be for less than a six month period depending on the date of termination. This Program is subject to billing availability and cannot be combined with other AT&T rewards programs with respect to those AT&T services that qualify for earnings under this Program and certain promotional offers. This Program is subject to the terms and conditions in its specific AT&T Service Guide under the AT&T Consumer Services Agreement, available at [www.att.com/serviceguide/home](http://www.att.com/serviceguide/home) or by calling 1 888 288 4099. If there is any conflict between this summary and those terms and conditions, those terms and conditions will govern.

---

[Terms and Conditions](#), [Privacy Policy](#)  
Copyright © 2000 AT&T. All rights reserved.

**AT&T REWARDS**[Home](#) | [Program Information](#) | [FAQs](#) | [Terms & Conditions](#)  
| [Contact Us](#)**Program Information**

Welcome to AT&T Rewards, our program to thank customers for their loyalty to AT&T.

The program is simple and automatic. There are no enrollment fees, no monthly fees, no pair keep track of and no coupons to mail in once you've made your selection. Based on your average monthly spending with AT&T over a six month period you can get up to 12 hours of free domestic calling, \$100 worth of international calling, \$100 worth of retail gift certificates, or 10,000 OnePass miles every year. All you have to do is choose the reward you prefer and we'll send it to you every six months - automatically. It's really that simple. [So sign up here today](#) and start earning your rewards right away.







**The rewards add up quickly.** Your qualifying AT&T usage is averaged over a six-month period and the amount you receive is determined in this way:

AT&T Average Monthly Spending	Free AT&T Domestic Calling*	Free AT&T International Calling**	Gift Certificate	Continental Airlines® OnePass® Miles
\$150+	6 hours	\$50	\$50	5,000
\$75 – \$149.99	3 hours	\$25	\$25	2,500
\$25 – \$74.99	1 hour	\$10	\$10	1,000

You can start working toward your first reward right away by using AT&T services billed to your home telephone account, including AT&T Residential Long Distance, AT&T Local Toll and AT&T Local services, as well as any AT&T Calling Card, AT&T "00" Info<sup>SM</sup> and AT&T Easy Reach<sup>SM</sup>. For detailed information about these and other AT&T services, please visit our [web site](#).

**It's easy to sign up right here online!**

- Your reward choices are shown below.
- You may click on each one to learn more about it. You will be taken to an information page about the reward.
- Then, you may choose that reward and sign up for the program or return to this page to review information about the other rewards.
- Once you sign up, you may return to this website at any time to review or change your reward selection.

Click to learn about your reward choices and to sign up		
AT&T	Retail Partners	Travel
<p><b>FREE AT&amp;T DOMESTIC CALLING</b></p> <p><b>FREE AT&amp;T INTERNATIONAL CALLING</b></p>	<p> <b>Foot Locker</b></p> <p> <b>GAP</b></p> <p> <b>THE HOME DEPOT</b></p> <p> <b>macy's</b></p> <p> <b>OLD NAVY</b></p>	<p><b>Continental Airlines</b> </p> <p><i>OnePass</i></p>

\*Free AT&T minutes are domestic direct-dialed minutes. You must be an AT&T Residential Long Distance customer to receive free minutes. Unused minutes will be carried over to the next billing cycle as long as you remain an AT&T customer. Please allow two to three weeks for your free minutes to be posted to your account. See [FAQs](#) for further details.

\*\*Free AT&T International Credits can be applied towards international direct-dialed calls only. Unused dollar amount cannot be carried over to the next billing cycle. The bill credits will appear as "AT&T Rewards Int'l Credits" on your bill. Based on dollar value. Hour equivalent varies by country.

\*\*\*You must be an AT&T Residential Long Distance customer and a Continental Airlines OnePass member to receive miles. Miles will post to your OnePass account within 30 days of receipt of your payout notification. All Continental Airlines OnePass Program terms and conditions apply.



Docket 01-00868  
January 30, 2002  
Exhibit SSD - 6

# TENNESSEE REGULATORY AUTHORITY

Sara Kyle, Chairman  
Lynn Greer, Director  
Melvin Malone, Director



460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

August 3, 2001

Charles L. Howorth, Jr.  
Regulatory Vice President  
BellSouth Telecommunications, Inc.  
Suite 2104  
333 Commerce Street  
Nashville, TN 37201-3300

Dear Mr. Howorth:

Pursuant to complaints filed by CLECs in other states regarding BellSouth's "Win Back" activities, the Authority requests that certain information be provided to assist in evaluating such activities in Tennessee. Therefore, it is requested that responses be filed for the items listed below.

1. Please describe in detail all BellSouth methods and procedures in place in Tennessee that are specifically aimed at gaining customers which have been lost to competitors, e.g., advertising and telemarketing campaigns, tariffs (including CSAs), etc. In your response please indicate how much time must elapse before BellSouth undertakes activities to regain a customer.
2. Upon notification by a customer of his/her intent to transfer service from BellSouth to a competitor, please describe all methods and procedures in place that are aimed at retaining the customer.

It is requested that responses be filed no later than August 22, 2001. If you have any questions or need clarification of any request item, please contact Arnold Reed at (615) 741-2904, extension 207.

Sincerely,

A handwritten signature in black ink, appearing to read "David Waddell".

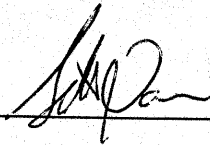
David Waddell  
Executive Secretary

AFFIDAVIT

STATE OF: Tennessee  
COUNTY OF: Davidson

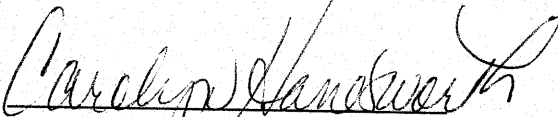
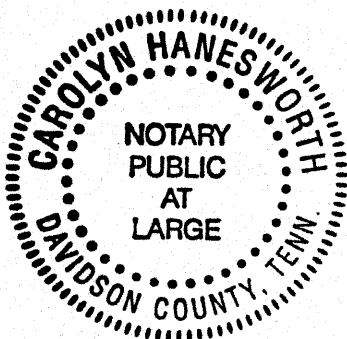
BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Scott Davis – Competitive Assessment Manager, Small Business Services, BellSouth Telecommunications Inc., who, being by me first duly sworn deposed and said that:

He is appearing as a witness before the Tennessee Regulatory Authority in Docket No. 01-00868 on behalf of BellSouth Telecommunications, Inc., and if present before the Authority and duly sworn, his testimony would be set forth in the annexed testimony consisting of 6 pages and 6 exhibit(s).



Scott Davis

Sworn to and subscribed  
before me on January 30, 2002

  
NOTARY PUBLIC

My Commission Expires NOV. 27, 2004

**BEFORE THE  
TENNESSEE REGULATORY AUTHORITY**

<b>IN RE: COMPLAINT OF XO TENNESSEE, INC.</b>	<b>)</b>	
<b>AGAINST BELL SOUTH TELECOMMUNICATIONS,</b>	<b>)</b>	
<b>INC.; COMPLAINT OF ACCESS INTEGRATED</b>	<b>)</b>	<b>DOCKET NO. 01-00868</b>
<b>NETWORKS, INC. AGAINST BELL SOUTH</b>	<b>)</b>	
<b>TELECOMMUNICATIONS, INC.</b>	<b>)</b>	

**REBUTTAL TESTIMONY  
  
OF  
  
ANIRUDDHA BANERJEE, Ph.D.  
  
ON BEHALF OF  
  
BELL SOUTH TELECOMMUNICATIONS, INC.**

**JANUARY 30, 2002**

**ON BEHALF OF BELL SOUTH TELECOMMUNICATIONS, INC.**

**REBUTTAL TESTIMONY OF ANIRUDDHA BANERJEE, Ph.D.**

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**DOCKET NO. 01-00868**

**JANUARY 30, 2002**

1   **Q.   PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND CURRENT**  
2       **POSITION.**

3   A.   My name is Aniruddha (Andy) Banerjee. I am a Senior Consultant at National  
4       Economic Research Associates, Inc. ("NERA") located at One Main Street, Cambridge,  
5       Massachusetts 02142.

6

7   **Q.   PLEASE DESCRIBE YOUR EDUCATIONAL, PROFESSIONAL, AND**  
8       **BUSINESS EXPERIENCE.**

9   A.   I earned a Bachelor of Arts (with Honors) and a Masters of Arts degree in Economics  
10      from the University of Delhi, India, in 1975 and 1977 respectively. I received a Ph.D. in  
11      Agricultural Economics from the Pennsylvania State University in 1985, and  
12      subsequently served there as an Assistant Professor of Economics. I have over eight  
13      years experience teaching undergraduate and graduate courses in various fields of  
14      Economics, and have conducted academic research that has led to several publications  
15      and conference presentations.

16

17      Since 1988, I have held various positions in the telecommunications industry. Prior to  
18      my present position, I have been an economist in the Market Analysis & Forecasting  
19      Division at AT&T Communications, a Member of Technical Staff at Bell

431581

1 Communications Research (now Telcordia), and a Research Economist at BellSouth  
2 Telecommunications. In these positions, I was responsible for conducting economic  
3 and market analysis, building quantitative demand models for telecommunications  
4 services, developing economic positions and strategies, and providing expert witness  
5 support on regulatory economic matters. In my present capacity, I provide quantitative  
6 and regulatory economic analysis for telecommunications industry clients, principally  
7 on matters of concern to local exchange carriers. My curriculum vita is attached as  
8 Exhibit AXB-1.  
9

10 **Q. PLEASE DESCRIBE NERA, YOUR PLACE OF EMPLOYMENT.**

11 A. Founded in 1961, National Economic Research Associates or NERA is an  
12 internationally known economic consulting firm. It specializes in devising economic  
13 solutions to problems involving competition, regulation, finance, and public policy.  
14 Currently, NERA has more than 275 professionals (mostly highly experienced and  
15 credentialed economists) with 10 offices in the U.S. and overseas offices in Europe  
16 (London, Brussels, Madrid, and Rome) and Tokyo and Sydney. In addition, NERA has  
17 on staff several internationally renowned academic economists as Special Consultants  
18 who provide their professional expertise and testimony when called upon.  
19

20 The Communications Practice, of which I am a member, is a major part of NERA. For  
21 over 30 years, it has advised a large number of communications firms both within and  
22 outside the U.S. Those include the regional Bell companies and their subsidiaries,  
23 independent telephone companies, long distance companies, cable companies, and  
24 telephone operations abroad (e.g., Canada, Mexico, Europe, Japan and East Asia,  
25 Australia, and South America). In addition, this practice has provided testimony or

1 other input to governmental entities such as the Federal Communications Commission,  
2 the Department of Justice, the U.S. Congress, state regulatory commissions and  
3 legislatures, and courts of law. Other clients include industry forums like the United  
4 States Telephone Association. In 2000, the NERA Communications Practice received  
5 the International Business Leadership Award from the Center for International Business  
6 Education and Research at the University of Florida, citing our work on incentive  
7 regulation, transfer pricing, technological convergence and opening new markets to  
8 competition.

9  
10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. I have been asked by BellSouth Telecommunications, Inc. ("BST") to address an  
12 economic issue raised in this proceeding by Joseph Gillan in his pre-filed testimony on  
13 behalf of Access Integrated Networks Inc. and ITC^DeltaCom Inc.

14  
15 **Q. WHAT IS THE ISSUE RAISED BY MR. GILLAN?**

16 A. At page 7 of his testimony, Mr. Gillan indicates that there is no question that "the  
17 BellSouth Select program offers customers an off-tariff rebate that is equivalent to a  
18 reduction in the tariff price" of the service involved.

19  
20 **Q. DO YOU AGREE WITH MR. GILLAN?**

21 A. No. If the accounting is done properly, any discount offered by the Select Business  
22 Program has to be taken against the unregulated services that consumers buy, *not*  
23 against the regulated services offered by BST. These programs are fairly common as a  
24 business practice. For example, retail stores frequently run sales in which a customer  
25 buys one product at *full* price, and becomes eligible to buy another product at a

1 discounted price. From an economist's viewpoint, these transactions follow one  
2 another. That is, the customer must buy the first product at full price before becoming  
3 eligible to purchase the second product at a reduced price. Customers who do not  
4 purchase the first product at full price are simply not allowed to participate in the offer.  
5 That is analogous to the manner in which the BellSouth Select program is being run.  
6 The end user has to purchase regulated and unregulated services and, more importantly,  
7 has to pay the full tariffed price for the regulated services in order to obtain a discount—  
8 either directly or through the use of redeemable points—for the unregulated services.  
9 As I understand BST's accounting testimony, the money received from the end user is  
10 recorded on BST's books of account for regulated services in precisely that way. This is  
11 sufficient evidence that BST is selling its regulated services—whether or not a customer  
12 receives a Select Business Program discount—through precisely the tariff procedure that  
13 has been established for those services. There is, thus, no basis for any claim that a  
14 rebate is being provided for the purchase of BST's regulated services.

15  
16 **Q. CAN YOU EXPLAIN HOW A REBATE PROGRAM WOULD HAVE TO BE**  
17 **STRUCTURED IN ORDER TO PRESENT THE ISSUE RAISED BY MR.**  
18 **GILLAN?**

19 **A.** Yes. The most obvious example of Mr. Gillan's issue would arise if, under the Select  
20 Business Program, customers who purchased only *regulated* services were granted  
21 "points" that could be redeemed through reductions in the prices of those *same* services.  
22 As I understand it, that is not the case in the present situation.



1    **Q.    DON'T CUSTOMERS PERCEIVE THAT THEY ARE GETTING A REBATE**  
2           **ON THEIR REGULATED SERVICES THROUGH BELLSOUTH'S SELECT**  
3           **PROGRAM?**

4    A.    They may perceive that, but that would not change the fact that the full tariffed rate is  
5           being recorded on BST's regulated books of account. Consider again the example of  
6           the retailer mentioned above. It is fairly common to see shoe retailers making "buy one  
7           pair at full price, get the second pair at half price" offers. The customer may well  
8           believe that he or she bought two pairs of shoes and got a 25 percent discount on each  
9           pair. However, in truth, that customer could not buy just a single pair of shoes for 75  
10          percent of the posted price. The first pair has to be bought at full price in order for the  
11          customer to become eligible for the second pair at half price. Anyone who has ever  
12          participated in such a sale and looked at the sales receipt would see the sale rung up just  
13          as I have described it. This arrangement could conceivably cause what the customer  
14          perceives to diverge from what is actually recorded on the books of the company for the  
15          transaction.

16  
17          This separate manner of accounting for each transaction is even clearer when the first  
18          product purchased is not the same as the second product purchased at discount. In the  
19          case of the Select Business Program, the first "product" sold at the full tariffed price is  
20          the set of regulated services, and the second "product" sold at discount is the set of  
21          unregulated services. The bottom line, therefore, is that as long as BST properly  
22          accounts for the so-called "discounts" on its books of account for unregulated services,  
23          there can be no actual rebate or discount on the tariffed regulated services. Therefore, I  
24          conclude that Mr. Gillan's conclusion is simply not accurate.

1   **Q.    DOES THIS CONCLUDE YOUR TESTIMONY?**

2   **A.    Yes.**

## **EXHIBIT AXB-1**

### **ANIRUDDHA (ANDY) BANERJEE**

#### **BUSINESS ADDRESS**

National Economic Research Associates, Inc.  
One Main Street  
Cambridge, Massachusetts 02142  
(617) 621-2604 (Telephone)  
(617) 621-0336 (Fax)  
andy.banerjee@nera.com (E-mail)

Dr. Banerjee is a Senior Consultant with the Communications Practice at NERA. He is responsible for providing analysis of, and expert witness testimony on, regulatory and economic issues of concern to telecommunications companies, preparing and responding to interrogatories in regulatory proceedings, and conducting econometric/statistical analysis to support marketing and market research activities of telecommunications companies. Dr. Banerjee works on a range of issues including Internet economics, price cap and incentive regulation, local and long distance competition, pricing of interconnection and unbundled services, reciprocal compensation, resale and avoided cost, benchmark and proxy cost models, and universal service. His market research activities are carried out, as needed, in collaboration with leading providers of telecommunications data or directly with telecommunications companies.

Before coming to NERA, Dr. Banerjee was a Research Economist (and internal economic consultant) at BellSouth Telecommunications where he was responsible for providing economic policy guidelines to key decision-makers and the Officer Body, preparing testimony and cross-examination questions, responding to interrogatories, and building econometric models to answer business questions. He provided quantification support for BellSouth's successful initiative of designing and securing price cap regulation for itself in each of its nine states, and contributed to BellSouth's policies on local and toll imputation, universal service, interconnection pricing, rate rebalancing, and per use pricing of vertical services. In the process, Dr. Banerjee collaborated with outside consultants from McKinsey and Company and Strategic Policy Research, Inc. He also represented BellSouth's participation in the National Telecommunications Demand Study, an ongoing study of demand trends in the telecommunications industry.

Prior to BellSouth, Dr. Banerjee was an economic consultant as a Member of the Technical Staff at Bell Communications Research and a Staff Supervisor at AT&T. Dr. Banerjee has several years of experience teaching graduate and undergraduate courses in economic theory, statistics, econometrics, industrial organization, and public finance. He has conducted research on the dynamics of futures markets and various aspects of time series econometrics. He has presented a number of papers on telecommunications economics issues at national business and academic conferences.

## EDUCATION

### ***THE PENNSYLVANIA STATE UNIVERSITY***

Ph.D., Agricultural Economics, 1985

### ***UNIVERSITY OF DELHI, INDIA***

M.A., Economics, 1977

### ***UNIVERSITY OF DELHI, INDIA***

B.A., Economics (Honors), 1975

## EMPLOYMENT

### ***NATIONAL ECONOMIC RESEARCH ASSOCIATES, INC.***

1995-        Senior Consultant, Communications Practice. Responsible for applying economic theory, regulatory economics, and econometric analysis to a variety of tasks: supporting telecommunications firms in litigation and regulatory matters, market research, and strategic planning. Provide expert witness testimony and strategic advice.

### ***BELLSOUTH TELECOMMUNICATIONS***

1992-1995    Research Economist, Statistics and Econometrics Group. Developed, led, and disseminated economic and econometric research on issues of concern to BellSouth Telecommunications in particular and the telecommunications industry in general. Contributed to each of the following areas: regulatory economics, demand analysis (growth and elasticities), market potential, diffusion, pricing, cost, new product planning, forecasting, market research, competitive analysis, and the development of

strategy/policy positions for BellSouth. Supervised and collaborated with other BellSouth economists and strategic planners and outside consultants.

***BELL COMMUNICATIONS RESEARCH***

1989-1992     Member of Technical Staff, Regulatory Economics and Pricing Theory, Demand Response Analysis Group. Developed various statistical and econometric methods and models that are applicable to the study of demand for various types of telephone service. The focus was on analysis, forecasting, and rate design support to client companies including BellSouth, U S West, NYNEX, and Bell Atlantic. Developed software for demand and market potential analysis using advanced mathematical/statistical languages. Transformed original techniques research into business tools for analysts within client companies.

***AT&T COMMUNICATIONS***

1988-1989     Staff Supervisor, Market Analysis and Forecasting, Consumer Markets and Services. Assisted and contributed to demand analysis and forecasting efforts of the group. The focus was on demand issues related to AT&T's business and residential long distance telephone services.

***THE PENNSYLVANIA STATE UNIVERSITY***

1985-1988     Assistant Professor, Department of Economics. Developed and taught undergraduate and graduate courses in economics and econometrics. Conducted personal research in economics and econometrics. Supervised graduate student research leading to M.S. and Ph.D. degrees in economics. Developed the econometrics component of a new graduate program in policy analysis at Penn State. And, advised undergraduate economics students on their curriculum and course selection. Taught courses on introductory macro-economic theory, introductory and intermediate micro-economic theory, industrial organization, public sector economics, statistics, and introductory econometrics. Developed and taught advanced graduate econometrics and time series courses (frequency-domain econometrics and spectral analysis, dynamic simultaneous equations systems and state space models, causality, model testing and validation, nonlinear time series, and asymptotic theory.

- 1982-1985     Instructor, Department of Economics. Taught a number of undergraduate economics courses including macro-economic theory, micro-economic theory, public sector economics, and statistical foundations of econometrics.
- 1979-1982     Research Assistant, Department of Agricultural Economics & Rural Sociology. Assisted in research activities of Professor Robert D. Weaver of the Department of Agricultural Economics. Research areas included: stabilization of prices of internationally traded agricultural commodities; choice under risk-aversion by a firm faced with multiple sources of uncertainty; impacts of public policy on risk-averse firms; market efficiency, role of information, distribution of asset returns, and market equilibrium; and productivity and cost relations in the wheat, corn, and soybean producing areas of the U.S. using crop survey data from the U.S. Department of Agriculture. Most of the work consisted of literature research, writing computer programming, and econometric data analysis.

***UNIVERSITY OF DELHI, INDIA***

- 1977-1979     Lecturer, Department of Economics, Shri Ram College of Commerce. Taught undergraduate economics courses including micro-economic theory, public finance, and economic planning and policy.

**HONORS AND AWARDS**

Marquis' Who's Who in the South and Southwest, 1995-96  
Gamma Sigma Delta Honor Society of Agriculture, inducted 1983  
Phi Kappa Phi, inducted 1982

Department Head Award, BellSouth Telecommunications, 1993  
Department Head Commendation, Bell Communications Research, 1992  
Vice President's Award, Bell Communications Research, 1990

## **PAPERS AND PUBLICATIONS**

### ***CONTRIBUTIONS TO NERA REPORTS***

"A Unified Inter-Carrier Compensation Mechanism for all Forms of Interconnection: Calling Party's Network Pays or Bill and Keep?" (with William E. Taylor), for BellSouth Corporation, to be filed November 5, 2001.

"Efficient Inter-Carrier Compensation for Internet-Bound Traffic: Reply to Time Warner Telecom," (with William E. Taylor), ex parte with FCC on behalf of Qwest Corporation, October 23, 2000.

"An Economic and Policy Analysis of Efficient Intercarrier Compensation Mechanisms for ISP-Bound Traffic," (with Agustin Ros and William E. Taylor), ex parte with FCC on behalf of U S WEST Communications, Inc., November 12, 1999.

"Determining Fair and Reasonable Rates Under Competition: Response to Major Themes at the FPSC Workshop," for BellSouth Telecommunications, Inc., November 1998.

"Costing and Pricing Principles for Determining Fair and Reasonable Rates Under Competition," for BellSouth Telecommunications, Inc., September 1998.

"Local Telecommunications Competition: An Evaluation of a Proposal by the Communications Staff of the Florida Public Service Commission," with William E. Taylor, for BellSouth Telecommunications, Inc., November 1997.

"Costing and Pricing Principles for Competitive Telecommunications: A Critique of David Gabel's Recommendations," for BellSouth Telecommunications, March 1997.

"Comments (on Universal Service and the Hatfield Model)," with William E. Taylor, for BellSouth Telecommunications, Inc. (filed with the Federal Communications Commission for CC Docket No. 96-45), August 1996.

"Telephone Company Provision of Broadband Services: Economies of Scope, Competition, and Public Policy," for BellSouth Interactive Media Services, 1995.

"Economic Welfare Benefits from Rate Rebalancing," for Stentor Resource Centre Inc., 1995.

### ***TESTIMONY***

Rebuttal Testimony opposing Oregon Public Utility Commission Staff and other intervenors on adjustments to rate structure design proposed by Qwest Corporation for its intraLATA long distance services, on behalf of Qwest

Corporation, Oregon Public Utility Commission, Docket No. UT 125 Phase II, May 3, 2001. [Appeared at Hearings, May 2001]

Rebuttal testimony opposing the position of Global NAPs, a competitive local exchange carrier, that it is owed reciprocal compensation for the carriage of Internet-bound traffic, on behalf of BellSouth Telecommunications, Inc., Florida Public Service Commission, Docket No. 991267-TP, December 20, 1999. [Appeared at Hearings, January 2000]

Affidavit, on behalf of the United States Telephone Association, Review of the Depreciation Requirements for Incumbent Local Exchange Carriers, CC Docket No. 98-137, November 23, 1998 (with William Taylor).

Affidavit supporting BellSouth Telecommunications Inc.'s motion to dismiss liability case brought by Public Storage Inc. of California because of lack of personal jurisdiction, before the U.S. District Court of the Central District of California, Case No. 90-3943 R (RZX), September 1998.

Affidavit and Reply Affidavit supporting the application by BellSouth Corporation for provision of in-region, interLATA services in Louisiana, Round 2, CC Docket No. 98-121, July-August 1998.

Affidavit and Reply Affidavit supporting the application by BellSouth Corporation for provision of in-region, interLATA services in Louisiana, CC Docket No. 97-231, October-December 1997.

Testimony critiquing the Hatfield Cost Model for setting unbundled network element rates for GTE in Alabama, on behalf of GTE South and Contel of the South in Arbitration with AT&T, Alabama Public Service Commission, Docket No. 25704, November 1996. [Testified at Hearings, December 1996]

Testimony critiquing the Hatfield Cost Model for setting unbundled network element rates for GTE in Texas, on behalf of GTE Southwest in Arbitration with ASCI, Texas Public Utility Commission, Docket No. 16,473, November 1996. [Testified at Hearings, December 1996]

Testimony critiquing the Hatfield Cost Model for setting unbundled network element rates for GTE in Oklahoma, on behalf of GTE Southwest in Arbitration with AT&T, Oklahoma Corporation Commission, Cause No. PUD 960000242, November 1996. [Testified at Hearings, November 1996]



Direct Testimony critiquing the use of the Benchmark Cost Model for setting the unbundled loop rate for BellSouth in Georgia, on behalf of BellSouth Telecommunications, to Georgia Public Service Commission, Docket 6759-U, October 1996. [Testified at Hearings, October 1996]

Consolidated Direct and Rebuttal Testimony critiquing bill and keep compensation for interconnection, on behalf of BellSouth Telecommunications, to Florida Public Service Commission, Docket 950985-TP (Petitions by Continental Cablevision, Metropolitan Fiber Systems of Florida, and MCI Metro Access Transmission Services), November 1995. [Testified at Hearings, January 1996]

Direct Testimony on unbundling by local exchange carriers and related cost issues, on behalf of BellSouth Telecommunications, to Florida Public Service Commission, Docket 950984-TP (Petitions by Metropolitan Fiber Systems of Florida, and MCI Metro Access Transmission Services), November 1995. [Testified at Hearings, January 1996]

Rebuttal Testimony critiquing bill and keep compensation for interconnection, on behalf of BellSouth Telecommunications, to Florida Public Service Commission, Docket 950985-TP (Petition by Teleport Communications Group), September 1995.

Direct Testimony addressing interconnection rate structure design, on behalf of BellSouth Telecommunications, to Florida Public Service Commission, Docket 950985-TP (Petition by Teleport Communications Group), September 1995.

Testified on behalf of BellSouth Telecommunications in Universal Service Proceeding, Tennessee Public Service Commission, Docket 95-02499, October 1995.

Wrote significant sections of NERA testimony/comments/affidavits presented to:

- state regulatory commissions on
  1. Price cap, local competition, interconnection, and unbundling issues (Arizona, Connecticut, Kentucky, Louisiana, Mississippi, Pennsylvania, New Mexico, Vermont)
  2. Regulatory Reform (Arizona)
  3. Rate case (Arizona, New Mexico)
  4. Universal service issues (Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, New Jersey, New Mexico, North Carolina, South Carolina, Tennessee)
  5. Loop cost subsidies: measurement and testing (New Mexico, North Dakota)

6. Resale and avoided cost (Alabama, Louisiana, Tennessee)
  7. Network Cost models (Alabama, Georgia, Massachusetts, Missouri, New Jersey, New York, Oklahoma, Pennsylvania, Texas)
  8. Estimation of Loop Cost (New York)
  9. Local company entry into interLATA long distance (Alabama, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee)
  10. TELRIC pricing of unbundled elements (Alabama, Delaware, Maryland, Mississippi, New Jersey, North Carolina, South Carolina, Tennessee, Virginia, Washington DC, West Virginia)
  11. Access charge reform (Arizona, Nebraska, Pennsylvania)
  12. Rate rebalancing and welfare impacts (Ohio)
  13. Pricing flexibility under price caps (New Mexico, North Carolina, Wyoming)
  14. Cost recovery for Operations Support Systems and service quality and performance measurement (Alabama, Arizona, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee)
  15. Reciprocal compensation for cellular, paging, and internet service providers (Alabama, Arizona, Colorado, Florida, Georgia, Idaho, Kentucky, Louisiana, Massachusetts, Mississippi, Montana, Nebraska, New Mexico, North Carolina, Oregon, South Carolina, Tennessee, Washington)
  16. Payphone rates and new services test (Arizona, Louisiana, South Carolina, Tennessee)
  17. Telephone company mergers (Arizona, Minnesota, Montana, Utah, Washington, Wyoming)
  18. Reclassification of competitive services (Arizona, Nebraska, Washington)
  19. Fair competition and promotions (Alabama)
- Federal Communications Commission in dockets or ex partes on
    1. CMRS interconnection (for NYNEX)
    2. Benchmark and proxy cost models (for BellSouth, Southwestern Bell, and NYNEX)
    3. Universal service (for BellSouth)
    4. InterLATA authority (for BellSouth)
    5. Access reform (for BellSouth)
    6. Regulatory forbearance for hicap services (for BellSouth)
    7. Depreciation reform (for USTA)
    8. Inter-carrier compensation for Internet-bound traffic (for U S WEST/Qwest)

9. Unified Compensation Mechanism for All Forms of Interconnection  
(for BellSouth)

- Canadian Radio-television and Telecommunications Commission in price cap proceeding (for Manitoba Telephone System)
- Telefonica Spain, on matters of reciprocal compensation
- Civil Action No. 94-324 (GK), FreBon International Corp. v. Bell Atlantic Corp., et al., Defendant's Expert Disclosure Statement

**TELECOMMUNICATIONS-RELATED PAPERS**

"The Internet: Market Characteristics and Regulatory Conundrums," 2001. Co-authored with Agustin Ros, in *Forecasting the Internet: Understanding the Explosive Growth of Data Communications*, edited by Lester D. Taylor and David G. Loomis, Kluwer Academic Publishers.

"Does Incentive Regulation "Cause" Degradation of Retail Telephone Service Quality?" 2001. Co-authored with Kalyan Dasgupta.

"Interconnection Rules and Inter-Carrier Compensation: Implications for Carrier Incentives and Economic Welfare," 2000. Co-authored with Agustin Ros.

"Telecommunications Privatization and Tariff Rebalancing: Evidence from Latin America" (with Agustin Ros), *Telecommunications Policy*, Vol. 24, 2000, pp. 233-252.

"The Internet: Implications for Regulation and Public Policy," 1999. Co-authored with Agustin Ros.

"Using Covariances of Share Changes to Determine Substitutability" (an application to media advertising), 1997. Co-authored with Michael Salinger.

"The Case Against Imputation of Access Charges in IntraLATA Toll Prices: Economic Efficiency and Fairness Reconsidered," BellSouth Telecommunications, 1994.

"Pricing of Local Exchange Interconnection Service From the Perspective of Economic Theory," BellSouth Telecommunications, 1993.

"Economies of Scale and Scope, Subadditivity of Costs, and Natural Monopoly Tests for Regulated Utilities," BellSouth Telecommunications, 1993.

"Fairness and Economic Efficiency in Regulation: Imputation v. Equal Contributions in IntraLATA Toll Pricing," Report to the Task Force on

Imputation of Access Charges in IntraLATA Toll Price, BellSouth Telecommunications, 1993.

"Economic Analysis of Efficient versus Imputation-Based Pricing by a Regulated Public Utility," Report to the Task Force on Imputation of Access Charges in IntraLATA Toll Price, BellSouth Telecommunications, 1993.

"E: A Maximum Likelihood Estimation Program, A User's Guide to Some Applications," Bell Communications Research, 1992.

"Error Components Panel Data Modeling of Share Equation Systems: An Application to Telecommunications Access Demand," Bell Communications Research, 1989.

"Analysis of Demand Migration and Take Rates for Special Access High Capacity Services," Bell Communications Research, 1990.

"Business Outbound Service System: An Empirical Modeling Framework," AT&T, 1989.

#### ***MISCELLANEOUS PAPERS***

"Does Futures Trading Destabilize Cash Prices? Evidence for U.S. Live Beef Cattle," (with R.D. Weaver), Journal of Futures Markets, Vol 10(1), 1990, (pp. 41-60).

"Market Structure and the Dynamics of Retail Food Prices," (with R.D. Weaver and P. Chattin), Northeastern Journal of Agricultural and Resource Economics, Vol 18(2), 1989, (pp. 160-170).

"Cash Price Variation in the Live Beef Cattle Market: The Causal Role of Futures Trade," (with R.D. Weaver), Journal of Futures Markets, Vol 2(4), 1982, (pp. 367-389).

"Unemployment Rate Dynamics and Persistent Unemployment Under Rational Expectations: A Comment," (with V. Moorthy), Working Paper No. 8-87-1, Department of Economics, The Pennsylvania State University, 1987.

"The Standard Errors of Characteristic Roots of a Dynamic Econometric Model: A Computational Simplification," Working Paper No. 5-87-3, Department of Economics, The Pennsylvania State University, 1987.

"Market Structure, Market Power, and Dynamic Price Determination in the Retail Food Industry," (with R.D. Weaver), Working Paper No. 5-87-2, Department of Economics, The Pennsylvania State University, 1987.

"Does Futures Trading Destabilize Cash Prices? Evidence for Live Beef Cattle," (with R.D. Weaver), Working Paper No. 5-87-1, Department of Economics, The Pennsylvania State University, 1987.

"Existence of Portfolios with Simultaneous Trading in Unrelated Speculative Assets," Working Paper No. 8-86-2, Department of Economics, The Pennsylvania State University, 1986.

"Models of Cash-Futures Market Complexes for Commodities Characterized by Production Lags," Working Paper No. 7-86-2, Department of Economics, The Pennsylvania State University, 1986.

"Cash Price Stability in the Presence of Futures Markets: A Multivariate Causality Test for Live Beef Cattle," (with R.D. Weaver), Staff Paper No. 45, Department of Agricultural Economics and Rural Sociology, The Pennsylvania State University, 1981.

"Optimal Interpolation and Distribution of Time Series by Related Series Using a Spectral Estimator for the Residual Variance," Bell Communications Research, 1990.

"Size and Power Characteristics of Three Tests of Nonlinearity in Time Series," AT&T, 1989.

"Model Testing and Selection in Applied Econometrics," AT&T, 1989.

### ***CONFERENCE PRESENTATIONS***

"Does Incentive Regulation 'Cause' Degradation of Retail Telephone Service Quality?" 20<sup>th</sup> Annual Eastern Conference of the Advanced Workshop in Regulation and Competition, Rutgers University, Tamiment, PA, May 23-25, 2001. Also presented at 19<sup>th</sup> Annual International Communications Forecasting Conference, Washington DC, June 26-29, 2001, and National Association of Regulatory Utility Commissioners, Summer Committee Meetings, Seattle, WA, July 17, 2001.

"Telecommunications Privatization and Tariff Rebalancing: Evidence from Latin America and Relevance to India," India Telecom 2000 Conference Keynote Speech, New Delhi, India, October 31-November 2, 2000.

"Interconnection Rules and Inter-Carrier Compensation: Implications for Carrier Incentives and Economic Welfare," (with Agustin Ros), 19<sup>th</sup> Annual Eastern Conference of the Advanced Workshop in Regulation and Competition, Rutgers University, Lake George, Bolton Landing, NY, May 24-26, 2000. Also presented at International Telecommunications Society 13<sup>th</sup> Biennial Conference, Buenos Aires, Argentina, July 2-5, 2000.

"The Internet: Implications for Regulation and Public Policy," (with Agustin Ros), 27<sup>th</sup> Annual Telecommunications Policy Research Conference, Alexandria, VA, September 25-27, 1999.

"The Internet: Market Characteristics and Regulatory Conundrums," (with Agustin Ros), International Communications Forecasting Conference, Denver, CO, June 15-18, 1999.

"Telecommunications Privatization and Tariff Rebalancing: Evidence from Latin America," (with Agustin Ros), 18<sup>th</sup> Annual Eastern Conference of the Advanced Workshop in Regulation and Competition, Rutgers University, Newport, RI, May 26-28, 1999.

"An Estimate of Current Universal Service Obligations and the Likely Impact of Federal and State Universal Service Plans," (with Agustin Ros and Neil Zoltowski), International Communications Forecasting Conference, St. Louis, MO, June 9-12, 1998.

"Competitive Telecommunications and its Aftermath: Economic Policy Issues and Modeling Needs," International Communications Forecasting Conference, Dallas, TX, April 16-19, 1996.

"On Modelling the Dynamics of Demand for Optional and New Services," International Communications Forecasting Conference, Toronto, Canada, June 13-16, 1995.

"The Case Against Imputation of Access Charges in IntraLATA Toll Prices: Economic Efficiency and Fairness Reconsidered," Rutgers University Advanced Workshop in Regulation and Public Utility Economics, Seventh Annual Western Conference, San Diego, CA, July 6-8, 1994.

"Future Directions in Modeling the Demand for Vertical Services," National Telecommunications Demand Study Conference, La Jolla, CA. March 24-25, 1994.

"E: A Maximum Likelihood Estimation Program," National Telecommunications Forecasting Conference, Crystal City, VA, June 1-4, 1993.

Discussant of "The National Telecommunications Demand Study," National Regulatory Research Conference on Telecommunications Demand, Denver, CO, August 3-5, 1992.

"Using Demographics to Predict New Service Take Rates: Discrete Choice Analysis vs. Categorical Data Analysis," National Telecommunications Forecasting Conference, Atlanta, GA, May 5-8, 1992.

“Price Cap Regulations for the LECs: Implications for Demand and Revenue Forecasting,” National Telecommunications Forecasting Conference, Boston, MA, May 30, 1991.

“Demand Migration for Special Access High Capacity Services,” Rutgers University Advanced Workshop in Regulation and Public Utility Economics, Third Annual Western Conference, San Diego, CA, July 11-13, 1990.

“Error Components Panel Data Modeling of Telecommunications Access Demand,” Bellcore-Bell Canada Telecommunications Demand Analysis Conference, Hilton Head, SC, April 22-25, 1990, and Bell Atlantic Business Research Conference, Baltimore, MD, October 24-27, 1989.

“Analysis of Integrated Demand Systems,” Rutgers University Advanced Workshop in Regulation and Public Utility Economics, Second Annual Western Conference, Monterey, CA, July 5-7, 1989.

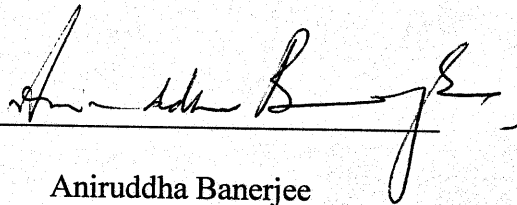
Panel Discussion on “The Regulatory and Operational Impacts of Price Caps,” National Telecommunications Forecasting Conference, San Francisco, CA, May, 1989.

AFFIDAVIT

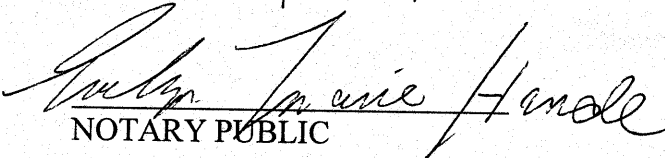
STATE OF: Massachusetts  
COUNTY OF: Middlesex

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Aniruddha Banerjee – Senior Consultant, National Economic Research Associates, Inc., who, being by me first duly sworn deposed and said that:

He is appearing as a witness before the Tennessee Regulatory Authority in Docket No. 01-00868 on behalf of BellSouth Telecommunications, Inc., and if present before the Authority and duly sworn, his testimony would be set forth in the annexed testimony consisting of 6 pages and 1 exhibit(s).

  
Aniruddha Banerjee

Sworn to and subscribed  
before me on Jan. 29, 2002

  
NOTARY PUBLIC

**Commission Expires 12-12-08**





1 BELL SOUTH TELECOMMUNICATIONS, INC.  
2 REBUTTAL TESTIMONY OF ENA A. SHAW  
3 BEFORE THE TENNESSEE REGULATORY AUTHORITY  
4 DOCKET NO. 01-00868  
5 JANUARY 30, 2002  
6

7 Q. PLEASE STATE YOUR NAME, YOUR POSITION, AND YOUR  
8 BUSINESS ADDRESS.  
9

10 A. My name is Ena A. Shaw. I am employed by BellSouth  
11 Telecommunications, Inc. ("BST") as a Senior Director in Small  
12 Business Services. My business address is 1057 Lenox Park Blvd.  
13 NE, Suite 300, Atlanta, Georgia, 30319.  
14

15 Q. ARE YOU THE SAME ENA SHAW THAT FILED DIRECT TESTIMONY  
16 IN THIS PROCEEDING ON JANUARY 25, 2002?  
17

18 A. Yes. I filed direct testimony, including one exhibit.  
19

20 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?  
21

22 A. The purpose of my rebuttal testimony is to respond to portions of  
23 the direct testimony of Mr. Rodney Page filed on behalf of Access  
24 Integrated Networks, Inc. ("AIN").  
25

1 Q. IN HIS DIRECT TESTIMONY, MR. PAGE STATES THAT BELL SOUTH  
2 RESPONDED TO AIN'S COMPLAINT BY TELLING THE TENNESSEE  
3 REGULATORY AUTHORITY THAT "THIS SALES OFFER WAS AN  
4 ABERRATION, SOME KIND OF MISTAKE," AND MR. PAGE  
5 ALLEGES THAT BELL SOUTH'S RESPONSE "WASN'T EXACTLY  
6 TRUE." (PAGE DIRECT AT P. 3, LINES 10-14.). COULD YOU  
7 RESPOND TO THIS TESTIMONY?  
8

9 A. Yes. BellSouth's answer to the Complaint speaks for itself. As the  
10 pre-filed direct testimony of Mr. Don Livingston makes clear,  
11 however, the offering was indeed an aberration in that, as a result  
12 of a mistake in judgment, it was implemented without being  
13 submitted for the requisite review and approval.  
14

15 Q. PLEASE RESPOND TO MR. PAGE'S CONTENTION THAT THE  
16 OFFERING "WAS SO OBVIOUSLY ILLEGAL THAT BELL SOUTH  
17 SUSPENDED THE OFFER AFTER WE FILED OUR COMPLAINT."  
18 (PAGE DIRECT AT P. 4, LINES 16-17.)  
19

20 A. I disagree with Mr. Page's characterization. When BellSouth  
21 learned that the offering had been implemented without the  
22 requisite review and approval, BellSouth acted quickly and  
23 responsibly by pulling the offering so that it could be reviewed and  
24 evaluated. As explained in my pre-filed direct testimony, BellSouth

1           also sent letters to the affected customers that explained the  
2           situation and described the options available to these customers.

3

4   Q.   PLEASE ADDRESS MR. PAGE'S CONTENTION THAT BELL SOUTH  
5       IS NOW OFFERING CUSTOMERS "CASH REBATES EQUAL TO  
6       THREE MONTHS OF SERVICE?" (PAGE 4, LINES 18-22).

7

8   A.   While I do not agree with his characterization of the offering, I  
9       understand Mr. Page to be suggesting that BST is continuing to  
10      make available to customers the offering described in the  
11      complaints filed by AIN and XO Tennessee, Inc. (which has been  
12      characterized as involving months of "free service"). That is not  
13      true. That offering is no longer available to customers, and  
14      customers are no longer being offered Select points equal in value  
15      to three months of service.

16

17       To the extent that customers who accepted that offer prior to its  
18      being stopped have earned points that they have not yet redeemed,  
19      they can still redeem those points. Their ability to do so, however,  
20      will be subject to the limitations described in Mr. Tice's pre-filed  
21      testimony.

22

23   Q.   DOES THIS CONCLUDE YOUR TESTIMONY?

24

25   A.   Yes.

AFFIDAVIT

STATE OF: Georgia  
COUNTY OF: Fulton

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Ena A. Shaw – Senior Director in Small Business Services, BellSouth Telecommunications Inc., who, being by me first duly sworn deposed and said that:

She is appearing as a witness before the Tennessee Regulatory Authority in Docket No. 01-00868 on behalf of BellSouth Telecommunications, Inc., and if present before the Authority and duly sworn, her testimony would be set forth in the annexed testimony consisting of 3 pages and 0 exhibit(s).

Ena A. Shaw

Ena A. Shaw

Sworn to and subscribed  
before me on Jan. 30, 2002

Judith Clark  
NOTARY PUBLIC

Notary Public, Gwinnett County, Georgia  
My Commission Expires June 27, 2005